Final Edition

ESTABLISHED OVER 100 YEARS

JUN 23 1944

In 2 Sections—Section 1

The Commercial and FINANCIAL CHRONICLE

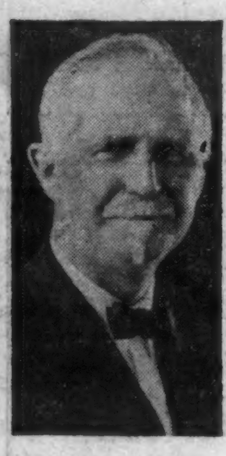
Reg. U. S. Pat. Office

Volume 159 Number 4292 — New York, N. Y., Thursday, June 22, 1944 — Price 60 Cents a Copy

Invasion Trends

Roger W. Babson Discusses Effect of Invasion Upon Our Principal Markets

BABSON PARK, MASS.—Readers of this column are already asking me what effect the Invasion will have on the prices of stocks, bonds, commodities and real estate. Frankly, it is too early to tell what will happen. . . . The early fall of Paris is essential to the Allied psychological phase. It may be the signal for the underground Continental army, estimated at 12,000,000 to begin action. The Allies must also secure, almost immediately, a number of good ports. Undoubtedly these will be Le Havre and Cherbourg and Brest. These three ports have



Roger W. Babson

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Pictures of the NEW YORK SECURITY DEALERS ASSOCIATION OUTING at North Hills, held on June 15th will be found on pages 2594, 2595, 2596 and 2597.

OHIO dealer activities featured in this issue will be found on page 2590.

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Peak War Production Has Passed

Leonard P. Ayres, Cleveland Trust Company Economist, States A Slowly Declining Trend Is Under Way—Holds Problems Of Readjustment To Decreasing Production Are No Longer Matters Of Mere Discussion

Brig. Gen. Leonard P. Ayres, War President of the Cleveland Trust Co. of Cleveland, Ohio, writing in the recent issue of the bank's publication, "The Business Bulletin," states that "a great turning point has been reached and passed," and "it is well to consider what has been the nature of the business trends that have been under way during the months of the first half of 1944." Continuing his analysis Gen. Ayres states that "business activity is still of boom proportions, but it is clear that a slowly declining trend is under way. Industrial production reached its greatest volume last November, and by April it had declined by about 3%. The same is true of nonagricultural employment which reached its greatest numbers last July, and had shrunk by about 3% by April. The output of munitions, as measured by value, reached its peak last November, and by April it had declined by a little more than 3%. Factory payrolls and inventories both reached their highest levels last November, and the latest figures show that payrolls have declined by about 4%, and inventories by 2%.

Leonard P. Ayres

"Problems of post-war planning, and of readjustment to decreasing productive activity, are

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Sound American Policy

By HON. BURTON K. WHEELER*

Democratic Senator Urges The United States, In Concert With Other United Nations, Or Alone, To State What Our Policies Are Or Will Be For Victor And Vanquished Alike—Condemns Permanent Military Alliances

It is a distinct honor to have been invited to speak before this Economic Leadership Conference and Dinner, sponsored by the American Tariff League. After all, it is no secret that I am regarded by some people in this country as a provincial from the back country, a man of narrow nationalistic views, an "isolationist." It may even be that the thought behind my being invited here was to look over a specimen of genus Americanus. But let me assure you that more than a quarter of a century's experience in public life convinces me that not infrequently I react to public questions in pretty much the same manner as do very substantial numbers of plain American people—people who do not do much talking or writing, but whose franchise is largely de-

Burton K. Wheeler

*Address delivered by Senator Wheeler, Montana Democrat, at Economic Leadership Conference and Dinner, sponsored by the American Tariff League, Waldorf-Astoria Hotel, June 15, 1944.

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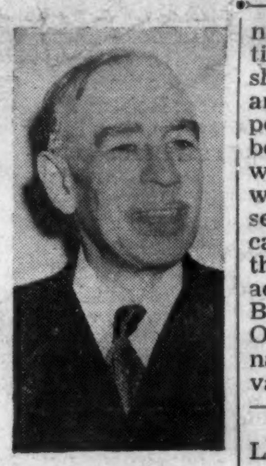
Britain's Advantages In United Nations Stabilization Plan

By LORD KEYNES*

British Economist Lists Five Advantages To Britain; (1) The Recognition Of The "Special Arrangements" In The Sterling Area; (2) The Restoration Of The International Position Of The British Pound; (3) The Increase In World's Monetary Stocks; (4) The Placing Of Responsibility For Exchange Equilibrium On Creditor Nations, and (5) The Preservation Of Orderly Exchange Rates—Holds Plan Does Not Reestablish Gold Standard Or Interfere With Domestic Monetary Policies

My Lords, it is almost exactly a year since the proposals for a Clearing Union were discussed in your Lordships' House. I hope to persuade your Lordships that the year has not been ill-spent. There were, it is true, certain features of elegance, clarity and logic in the Clearing Union plan which have disappeared. And this, by me at least, is to be much regretted. As a result, however, there is no longer any



Lord Keynes

need for a new-fangled international monetary unit. Your Lordships will remember how little any of us liked the names proposed—bancor, unitas, dolphin, bezant, daric and heaven knows what. Some of your Lordships were good enough to join in the search for something better. I recall a story of a country parish in the last century where they were accustomed to give their children Biblical names—Amos, Ezekiel, Obadiah and so forth. Needing a name for a dog, after a long and vain search of the Scriptures they

*Speech in the House of Lords, London, England, on May 23, 1944.

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Post-War Policies

By HON. JOSEPH P. KENNEDY*
Former U. S. Ambassador to Great Britain

Former Ambassador Holds, In Spite Of Pent-Up Demands To Be Satisfied, Normal Business Cannot Give Full Employment To Sixty-Five Million People Now In Industry, On Government Payroll And In Service—Fears "Deflation" More Than "Inflation"—Feels Enduring Peace Possible Only By Abandonment Of "Ruinous Economic Competition" Among Nations — Predicts Control Will Continue

At this hour when the country breathlessly awaits the fortunes of battle, anything we say here must, perforce, sound empty and dull. Heartened and strengthened as we are by the realization of what is transpiring, our personal views seem pitifully unimportant.

Joseph P. Kennedy

Yet, however inadequate our efforts, the one thing everyone must do for those actually engaged in the struggle, is to lend a hand when asked, to the job of getting some shape and form for the post-war world. That is the excuse I offer for presuming even at your invitation to discuss a public question at a time like this.

Our subject—post-war monetary policies—is timely and pertinent, if anything except the battle itself can be so regarded.

Concerning money matters, one of the outstanding editorial writers of our time, the late Arthur Brisbane, once wrote that not over 20 people know anything about money, and 15 of them

*An address delivered by Mr. Kennedy at the Annual Dinner of the American Gastroenterological Association at the Drake Hotel in Chicago, Ill., on June 12, 1944.

(Continued on page 2594)

F. G. Steiner To Join Wertheim Co. July 1

Wertheim & Co., 120 Broadway, New York City, members of the New York Stock Exchange, announce that Frederic G. Steiner will become associated with them on July 1, 1944. Prior to the outbreak of the war, Mr. Steiner was managing director of Dillon, Read & Co. Ltd. of Paris and London. He came to America in 1939 and became associated with Arnhold and S. Bleichroeder which firm he has been with until his recent resignation.

What Will Come Out Of United Nations' Monetary Conference?

By IVAN WRIGHT
Professor of Economics at Brooklyn College
Formerly Visiting Professor of Political Economy at the University of Toronto
Sometime Special Executive of the New York Stock Exchange

In looking at the delegates named for the United Nations Monetary and Financial Conference, opening July 1 at Bretton Woods, New Hampshire, the first impression is that the British delegation is strong and an outstanding group of experienced economists and practical men schooled in the intricate affairs of international exchange and finance.

The British delegation will include Lord J. M. Keynes, economic adviser to the British Treasury; Robert H. Brand, British Treasury representative in Washington; Sir Wilfrid Eady, second secretary of the British Treasury; Nigel B. Ronald, Assistant Undersecretary of the Foreign Office; Professor D. H. Robertson of the British Treasury; Professor Lionel C. Robbins Head of the Economic Section of the British War Cabinet Offices; and Redvers Opie, Counselor of the British Embassy at Washington. Advisers to the British delegation will be William E. Beckett, Foreign Office Adviser, G. F. Bolton, of the Bank of England and Charles H. Campbell, First Secretary of the British Embassy.

Dr. Ivan Wright

The American delegation does not seem to match the British in either economic or practical ex-

(Continued on page 2597)

Vilas & Hickey Admit Three New Partners

Vilas & Hickey, 49 Wall Street, members of the New York Stock Exchange, announce that George E. Richardson, John H. Printon and Royden E. Jacobus, who have been associated with the firm for many years, have been admitted to partnership.

Admission of the three new partners was previously reported in the Financial Chronicle of June 8th.

J. Bert Easley Forms Own Investment Firm

(Special to The Financial Chronicle)

LOS ANGELES, CALIF. — J. Bert Easley has formed Easley & Co., with offices at 639 South Spring Street, to engage in the investment business. Mr. Easley was formerly Vice-President of O'Melveny-Wegenseller & Durst and its predecessor firm. In the past he was assistant director of mortgage insurance of the FHA and was with the Bankers Trust Company in New York.

Bankers Bond Co., Inc. Adds Fetter To Staff

(Special to The Financial Chronicle)

LOUISVILLE, KY.—James M. Fetter has become associated with the Bankers Bond Co., Inc., Kentucky Home Life Building. Mr. Fetter was formerly Vice-President of Dering & Co., Inc.

The COMMERCIAL and FINANCIAL CHRONICLE
Reg. U. S. Patent Office
William B. Dana Company
Publishers
25 Spruce Street, New York 8
BEekman 3-3341
Herbert D. Seibert,
Editor and Publisher
William Dana Seibert, President
William D. Riggs, Business Manager
Thursday, June 22, 1944
Published twice a week
every Thursday
(general news and advertising issue)
and every Monday
(complete statistical issue—market quotation records, corporation, banking, clearings, state and city news, etc.)
Other Offices: 135 S. La Salle St., Chicago 3, Ill. (Telephone: State 0613); 1 Drapers' Gardens, London, E. C., England, c/o Edwards & Smith.

Reentered as second-class matter February 25, 1942, at the post office at New York, N. Y., under the Act of March 3, 1879.
Subscriptions in United States and Possessions, $26.00 per year; in Dominion of Canada, $27.50 per year; South and Central America, Spain, Mexico and Cuba; $29.50 per year; Great Britain, Continental Europe (except Spain), Asia, Australia and Africa, $31.00 per year.
Other Publications
Bank and Quotation Record—Mth. $20 yr.
Monthly Earnings Record—Mth...$20 yr.
NOTE—On account of the fluctuations in the rate of exchange, remittances for foreign subscriptions and advertisements must be made in New York funds.

Will Rail Credit Be Restored?

By ARTHUR JANSEN*
Partner, W. E. Burnet & Co.

Investment Broker Holds Improved Prices Of Railroad Securities Reflect The Effect Of Debt Retirements Through Company Purchases Rather Than Restoration Of Railroad Credit—Says Permanent Credit Restoration Requires Confidence That Whatever The Level Of Fixed Charges They Will Be Earned With A High Degree Of Regularity — Sees Railroad Competitive Situation "On The Mend" With Revenues Attaining Satisfactory Levels And Operations More Efficient

Much has been said within the last year on the question of the restoration of railroad credit. Among students of railroad finance, opinions are as far apart as the poles. On the one side there are those who are rampantly enthusiastic and contend rail credit already has been restored, only the market has not yet taken full cognizance of the change. On the other side, there are those who look for revival of all the ills of the railroad industry again as soon as war production ceases. As I see the situation, neither of these diametrically opposite views can be supported by either statistics or prospects. My own opinion falls somewhere between these extremes and I venture to say is more realistic from the standpoint of savings bankers interested primarily in values, rather than speculation. Precisely what shade of opinion I hold be-


Arthur Jansen

*An address delivered by Mr. Jansen before the fourth annual Management Conference of the Massachusetts Savings Bank Association at Wellesley College, Wellesley, Mass. on June 15, 1944.

(Continued on page 2604)

Keynes On Int'l Monetary Fund

By HERBERT M. BRATTER

Now that the text of Lord Keynes' speech of May 23 in the House of Lords is available here [see cover page of this issue: Editor], we may take a look at the United Nations experts' plan as seen in London. First, Keynes points out, the British "are entitled to retain any of those wartime restrictions and special arrangements with the sterling area and others." This means that one goal of the original White plan is postponed, if not entirely given up.


Herbert M. Bratter

Second, the British "can look forward to trading in a world of national currencies which are inter-convertible," despite the fact that sterling or any other currency is to be rigidly controlled or managed at home. Lord Keynes sees the international plan as "an indispensable means of maintaining this tradition" of a system of currencies centered in London.

Third, the Fund will provide "a great addition to the world's stock of monetary reserves, distributed, moreover, in a reasonable way." Since the Fund will not add to the reserves of the USA, this means that have-not countries, through the Fund, acquire claims on reserves of the have countries, chiefly the United States. Keynes rightly terms this a "so comfortable aid in time of trouble." This aid is to be "an iron ration", to be supplemented by other forms of international cooperation.

(Continued on page 2606)

Lauds 'Chronicle' Stand On NASD '5% Rule'

Editor, Commercial and Financial Chronicle:

As Chairman of the Securities Dealers Committee, I take this opportunity to thank the "Chronicle" for its fearless policy which opposed the 5% spread philosophy of the NASD. The fearless and forthright fight you have waged thrilled my Irish blood.

Of particular assistance was the poll which your paper conducted.

Those who attended the hearing on June 13, 1944, before the Securities and Exchange Commission will long remember the incisive and compelling logic used by Mr. Edward A. Kole and Mr. A. M. Metz and the attention with which the Commission gave audience.

Our Committee has received support from 84 security

(Continued on page 2607)

Public And Securities Dealers Let Down By A "Protective" Set Up

Need For A Pungent Pamphleteer

These are extraordinary days. Most of us get our news and comments on world and national affairs between the breakfast egg and coffee, or whilst being transported to and from work.

It was not always thus. There was a time when life proceeded at a leisurely pace. Meditation came in for a more generous share of people's time, and men pondered upon their rights, and looked to the ramparts of their liberties.

Those were days when reason was the yardstick of justice. Pamphleteers flourished to point the way. Neither the 19th hole, nor the bolsters of business, were regarded as a substitute for the right, nor an inducement to veer from a straight course.

Simplicity prevailed. Laws were made in language readily understandable, devoid of difficult formulae.

Today, as always, we are presumed to know the law which is so complex, much of it escapes the expert.

A case in point is its complexity in the securities field.

Although Blue Sky Laws already existed in most of the states of our Union, the conception that the public needed further protection resulted in the legislative creation of the Securities and Exchange Commission. Given large and embracing rule making powers, it was supposed to "fill the bill."

Then came the Maloney Act and the National Association of Securities Dealers, placing upon dealers in securities fetters which we may be years in removing and threatening

(Continued on page 2607)

R. V. Mosley Heads NSTA Nominating Group

Wm. Perry Brown of Newman, Brown & Co., New Orleans, President of the National Security Traders Association, Inc., announced that R. Victor Mosley, Stroud & Company, Inc., Philadelphia, has been named Chairman of the organization's nominating committee which will select a slate of officers to be voted on at the annual business meeting in Chicago August 25 and 26. The report itself will be submitted to members 30 days before the meeting. Other members are Mrs. Ora Ferguson, Merrill Lynch, Pierce Fenner & Beane, Louisville; Willis Summers, Troster Currie & Summers, New York; J. Wallace Kingsbury, Kingsbury & Alvis, New Orleans; and H. Russell Hastings, H. Russell Hastings Co., Detroit.

R. V. Mosley

Interesting Situation

Common stock of Federal Water & Gas offers an attractive situation, according to a memorandum issued by Boenning & Co., 1606 Walnut Street, Philadelphia, Pa. Copies of this interesting memorandum may be had from Boenning & Co. upon request.

Attractive Situation

Panama Coca-Cola offers an interesting situation according to circular being distributed by Hoit, Rose & Troster, 74 Trinity Place, New York City. Copies of this circular may be had from the firm upon request.

Arthur V. Grace Forms Own Firm In Cleveland

(Special to The Financial Chronicle)

CLEVELAND, OHIO—Arthur V. Grace has formed Arthur V. Grace & Co., with offices in the Union Commerce Building, to engage in the securities business.

Mr. Grace was formerly a partner of Cunningham & Co., with which he was associated for a number of years. In the past he conducted his own investment business in Cleveland.

Hutchinson & Flint With Schwabacher Co.

(Special to The Financial Chronicle)

SAN FRANCISCO, CALIF.—Wendell A. Hutchinson and George A. Flint have become associated with Schwabacher & Co., 600 Market Street at Montgomery, members of the New York Stock Exchange. Mr. Hutchinson was formerly with Bankamerica Company, and in the past was manager of the trading department for William A. Lower & Co.

Wurts, Dulles & Co. To Admit Schimminger

PHILADELPHIA, PA.—William F. Schimminger, Jr., will become a partner in Wurts, Dulles & Co., 1416 Chestnut Street, members of the New York and Philadelphia Stock Exchanges, on July 1. Mr. Schimminger has been with the firm for some time as Manager of the trading department.

Terry Thompson With Grande & Co. In Seattle

(Special to The Financial Chronicle)

SEATTLE, WASH.—Terry Thompson has become associated with Grande & Co., Inc., Hoge Building. Mr. Thompson was formerly an officer of Harris, Lamoreux & Norris, Inc.

Barbour Named To Head N. Y. Municipal Forum

Phillips T. Barbour, of First Boston Corporation, has been nominated for the presidency of The Municipal Forum of New York to succeed John Rust, of Equitable Securities Corporation. Elmo P. Brown of United States Trust Company, Secretary of the Forum, has been nominated for the vice presidency; Albert Milloy, also of First Boston Corporation, has been nominated for Secretary and William G. Bond, of Coffin & Burr, for Treasurer.

Phillips Barbour

Melbourne S. Moyer, of Fulton Trust Company, and Leander I. Shelley, of the Port of New York Authority, have been nominated to serve on the Board of Governors for three years.

The annual meeting of the club, at which the new officers and governors will be elected, is scheduled for Thursday, June 22, at Block Hall Luncheon Club. Following the routine business meeting, David M. Wood, of Wood, Hoffman, King & Dawson will address the meeting on "The Boren Bill," a proposed amendment of the Securities Exchange Act of 1934, now pending in the House of Representatives.

New Jersey Bond Club Elects Campbell Pres.

Wilbert H. Campbell of Campbell & Company, Newark, was elected President of The Bond Club of New Jersey. Other officers elected include James B. Kirk of Harris, Upham & Company, Vice-President; Carl A. Preim, R. W. Pressprich & Company, Secretary, and J. William Roos, MacBride, Miller & Company, Treasurer.

Folger Nominated For Re-Election By IBA; Annual Meeting In Chicago Nov. 27-29

John Clifford Folger, president of the Investment Bankers Association of America, has been nominated for relection to the presidency, it was announced by the headquarters office of the association. Only on three other occasions during the past 32 years has a


John Clifford Folger


Julien H. Collins


H. H. Dewar


Henry H. Egly


Charles S. Garland


Edw. Hopkinson, Jr.

president of the association served for more than one year. Mr. Folger is head of Folger, Nolan & Co., Washington, D. C., investment house.

In accepting the nomination, Mr. Folger stated that "In the present strenuous times and for the post-war period, it seems apparent that many of our problems will stem back to Washington. It is our hope to break the log jam in private investment capital and to get people to put their money to work. We hear a great deal about the importance of venture capital. At the present time, there is more money awaiting investment than ever before in our history. This money should be put to prudent use. The small business man requires easier access to the capital markets. The securities acts need some streamlining. Under the present set-up the small investor and the small securities dealer are being pushed farther and farther away from the ball game in which they should be playing."

Officers of the association are nominated by the board of governors and elected at the annual meeting. It was also announced that the meeting this year will be held in Chicago at the Edgewater Beach Hotel, November 27 to 29. Nomination is considered tantamount to election, as the selections of the board have always been approved. In addition to Mr. Folger's nomination, five vice-presidential nominations have been made, as follows: Julien H. Collins of Harris, Hall & Co., Chicago; Hal H. Dewar of Dewar, Robertson & Pancoast, San Antonio; Henry H. Egly of Dillon, Read & Co., New York; Charles S. Garland of Alex. Brown & Sons, Baltimore; and Edward Hopkinson, Jr. of Drexel & Co., Philadelphia. Messrs. Collins and Hopkinson are serving as vice presidents at present and have been nominated for reelection.

Pressurelube Interesting

B. S. Lichtenstein & Co. have prepared an interesting discussion of Pressurelube, Inc., which the firm believes offers attractive possibilities. Copies of this discussion may be had upon request from B. S. Lichtenstein & Co.

Interesting Speculation

William S. Baren Co., 42 Broadway, N. Y. C., has issued a special study on Pressurelube, Inc., which the firm believes offers an interesting low-priced, post-war speculation. Copies of the study may be had from William S. Baren & Co. upon request.

Cross Elected Director

CHICAGO, ILL. — Louis J. Cross, partner of the New York Stock Exchange firm of Paul H. Davis & Co., was elected a director of Domestic Industries, Inc., at the annual meeting of stockholders. All other directors were reelected.

Mr. Cross is in charge of the investment department of Paul H. Davis & Co., and was the first Chairman for District No. 8 (Middle West) of the National Association of Securities Dealers. He is also a director of the South Coast Corporation and the River Forest State Bank in suburban Chicago.

Why Spokesmen At SEC Hearing Held NASD "5% Spread Philosophy" Constitutes A Rule And Should Be Abrogated

Complete Official Report Of Hearing Held At Philadelphia On June 13, 1944, Before The Securities And Exchange Commission Panel, Consisting Of Commissioners Ganson Purcell, Chairman; and Robert E. Healy, Robert H. O'Brien, and Sumner T. Pike.

Prepared Statement Read By Frank Dunne

Frank Dunne, President Of New York Security Dealers Association Says His Opposition To "5 Per Cent Rule" Is "Not Based Upon Dissatisfaction With The Degree Of The Profit Ceiling," But On The Methods Employed By The NASD In The Adoption And Promulgation Of The Rule. Critical Of NASD Because It Has Not Carried Out Its Avowed Objective Of Voluntary Democratic Self Regulation In The Industry. Says Belief That NASD Is Run "As A Private Club Must Be Eliminated."

At the outset may I express my appreciation of the Commission's granting our little organization, the New York Security Dealers Association, of which I happen to be President, an opportunity to be heard once again on a subject that affects the vital interests of its membership.

The problem we are considering stems from a letter of the National Association of Securities Dealers to its membership of Oct. 25, 1943, and supplemented by a directive to members of the District Business Conduct Committees of the NASD dated Nov. 9, 1943, having to do with profits and commissions in the industry. As you are well aware, there has been much discussion in the trade, press and elsewhere about the subject, centering around whether the letter of Oct. 25, 1943, supplemented by the directive of Nov. 9, 1943, should ultimately be indexed as an interpretation, or as a rule.

Frank Dunne

I would like to make it clear that I am here to present only the views of the New York Security Dealers Association and not those of any other Committee, group or organization.

At this point I want to limit, in one respect, the scope of my comments. It has come to my attention recently that some believe our opposition in this matter is based upon our dissatisfaction with the degree of the profit ceiling—that is not so. I do not question the authority of the Board of Governors of the NASD, in a proper way, to put a ceiling on profits. In our endeavor to do something constructive for the curbing or elimination of overcharging in the over-the-counter business, our association submitted a memorandum under date of March 6, 1943, entitled "Suggestions made by New York Security Dealers Association to facilitate over-the-counter trading in the interest of public investors and broker-dealers." While it is true that the main burden of this memorandum was an overhauling of quotations in the press and elsewhere as a single most important factor in protecting the public from overcharging, we also submitted in conjunction with the revision of quotations the idea that if a profit exceeded a specified per cent, the burden would be upon the dealer to prove that he was justified in making the profit. My feeling was summed up in a statement I released to the press on Feb. 9, 1944. in which I emphasized that the New York Security Dealers Association on that occasion did not approve or disapprove the principle of the ceiling or mark-up, but took ex-

(Continued on page 2600)

Oral Argument Of Edward A. Kole

Edward A. Kole, * Counsel For Securities Dealers Committee, Declares Labeling Of Mark-Up Policy As "Interpretation" Constitutes "Preconceived Notion To By-Pass Franchise Of NASD Membership." Points To Provisions Of Maloney Act In Arguing That "5% Spread Philosophy" Is In Fact A Rule And Therefore Was Illegally Adopted By Association's Governing Board. Demands That SEC Revoke Measure And Cites Danger That Principle Of Profit Ceilings In Securities Business May Be Forerunner Of Adoption "Of System That Will Permeate" All Types Of Business "With Wholly Un-American Rules and Doctrines."

Mr. Chairman and members of the Commission: I referred in one of my opening objections to the partnership that you have saddled upon me, and I am going to revert to it again to indicate that I am happy Mr. Dunne said that he represents only the New York Security Dealers Association, and has no connection with any other group, because some of the matters he has asserted are matters with which we are absolutely in disagreement.

For examample, it has been said that 5% philosophy places a ceiling upon profits. Now, I don't think that that is the fact at all in the broad sense because many of the over-the-counter dealers, when they open their doors, have more than a 5% overhead, so that if their spread was limited to 5%, there would never be any profit, strictly speaking.

Edward A. Kole

The Board of Governors of the National Association of Securities Dealers could not possibly have taken the profit motif into consideration. It refers to it correctly as a spread and only a spread, and the unfortunate thing about that subject of the spread is that the philosophy which was established was so established upon a questionnaire containing some 50 most recent transactions. The result of that survey was arrived at without any declaration or publication or submission to the membership of the National Association of Securities Dealers and these were the alleged facts upon which it, the 5% philosophy, was established.

In it, there participated over-the-counter dealers, members of the Stock Exchange, members of the Curb, municipal dealers. Of necessity, the problems involved in some of these branches are not the problems involved in others at all, but I think one observation of Mr. Dunne was important and crucial, and that is that the District Business Conduct Committees so exercised their functions in effect that the 5% spread philosophy is in effect the 5% limitation rule, because where that is exceeded that, to them, is a questionable transaction.

Directly within the bounds and circumscribed within the bounds of your order, gentlemen, is the question of rule or interpretation;

* While the above views were expressed by Mr. Kole before the Commission, it is our understanding that they represent the joint product of both Mr. Kole and Mr. A. M. Metz, who is also an attorney for the Securities Dealers Committee and appeared before the SEC at the hearing.

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Introduction And Preliminary Proceedings

Edward A. Kole, Associate Counsel for Securities Dealers Committee, Moves That If Any Of The SEC Commissioners Have Had Anything To Do With Promulgation Of "5%" Mark-Up Policy "They Should Disqualify Themselves."

After Messrs. Frank Dunne, Edward A. Kole and Frank J. Maguire, Buffalo, N. Y., attorney, representing S. C. Parker & Co., Buffalo, N. Y., had signified in reply to SEC Chairman Ganson Purcell that they wished to be heard in the matter, Mr. Kole declared that there are "certain preliminary exceptions that I would like to record, which I think it is my duty to record before the proceeding goes ahead." With the approval of Ganson Purcell, Mr. Kole proceeded as follows:

Ganson Purcell

Mr. Kole: My first objection is addressed to the Panel and it is not based on any knowledge, so that I shall have to depend upon the hearing Commissioners themselves on the subject.

I make the point that, since the Securities and Exchange Commission and the National Association of Securities Dealers are required by the Maloney Act to have an interlocking arrangement for the purpose of enforcing rules of fair practice, it is reasonable to suppose—I don't know that this is a fact at all—that some of the Commissioners may have had something to do with the promulgation of the 5% spread philosophy. Now, they know that and I do not, and if they had anything to do with any conferences that resulted in the promulgation of that philosophy or in any way participated therein or counseled its promulgation, then I challenge the Panel and say as to those Commissioners, they are not qualified to sit.

My motion is, that if any of the Commissioners have had anything to do with the promulgation of the 5% spread philosophy, that they disqualify themselves.

I shall assume, if they continue to sit, in the absence of any statement from the Hearing Commissioners, that they had nothing to do with promulgation of that philosophy.

That is my first application.

The Chairman: The question

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Oral Argument Of Frank J. Maguire

Frank J. Maguire, Attorney For S. C. Parker & Co., Of Buffalo, N. Y., Holds NASD Governors "Exercised Power That Did Not Exist" In Promulgating "5% Spread Philosophy"—Says "It Is Not Self-Discipline, Avowed Object And Purposes Of Association, If 85% Of Members Oppose A Rule And Have It Forced Upon Them By Interpretation"—Maintains "Rule On Its Merits Is Not Good Morality, Nor Good Economics" And Says That Dealer In Securities "Cannot Be Compensated On Any Arithmetical Or Arbitrary Percentage Rule Of Spread" In Multitudinous Services Required In Customer's Behalf.

Mr. Chairman and gentlemen of the Commission:

As I stated, when I registered my appearance, I come here on behalf of S. C. Parker & Co., Inc., of Buffalo, N. Y., a member of the NASD and interested in the matter before you.

Frank J. Maguire

My client is interested in the subject from two angles, first as to the subject matter of the so-called 5% rule, and second as to the method of its adoption by the Board of Governors of the NASD.

First, let me say, that my client is unreservedly opposed both to the content of the rule and to the method of its adoption, and, in making that statement, let me add that my client also seeks no license to make unreasonable or unconscionable profits.

As to the merits of the subject matter, and entirely apart from the measure itself, we feel that an arbitrary ceiling on a spread is almost certain to be wrong, whether it be 5% or 1% or 10%.

Any arbitrary measure cannot apply uniformly to situations and circumstances which in themselves necessarily are not uniform.

In a Stock Exchange transaction, a member renders a service which is limited to filling an order on a price basis. No representation is made and no responsibility taken or implied as to the intrinsic quality of the merchandise itself.

Now, of course, as we all know, only a minority of corporations is listed on the Stock Exchanges, and yet investors should buy and want to buy and they do buy the securities of unlisted companies.

Making that possible is one of the important functions of the over-the-counter markets.

Now, a dealer over-the-counter at times may limit his service also to the bringing together of a buyer and a seller, both of whom are available and matching the buy order and sell order; perhaps in such cases a 5% or even a lower limit on a mark-up would be entirely reasonable.

Also, we think it very likely in such a case that no rule would be required to limit the spread to 5% or even less. Economics itself would do that entirely apart from the character of the ethical viewpoint of the particular dealer involved. But the fixing of a price has many other relevant elements. The expense to which the dealer

(Continued on page 2602)

Tomorrow's Markets Walter Whyte Says—

Market confirmation attracts large number of new buyers. Participation at current prices dangerous. Side slip signs are in the offing.

By WALTER WHYTE

Last week's column was barely in print when the market, instead of topping off, took a deep breath and went up. Not only did the leaders take their rightful position but the secondary stocks climbed on better volume than they have seen in many a long month.

* * *

Boardrooms, which up to a few days ago were grand places to catch up on one's sleep, suddenly became beehives of activity. Tape moved along at a gallop and the order clerk who for a long time looked like just another guy in the back office, became quite popular.

* * *

The public, after being on the sidelines for so many months, was all agog at the grand "opportunities" offered by the market and stepped on each other's heels to get in and buy them before they got out of sight. That old business of buying 'em at a price was forgotten. It was "buy at the market." The wonder isn't that the tape was almost steaming at the sales that came over it. The wonder is that it didn't run way behind.

* * *

Staying out of a market such as this, when it has all the characteristics of an old fashioned bull swing, takes a lot of intestinal fortitude; more than most of us who watch the tape have. Yet this very hysteria, this call to the mob, is the very thing that often acts like the Lorelei calling to sailors. It is doubly hard for the man who has been watching the market patiently to see it suddenly take wings and soar. The desire to overtake it is difficult to resist. Yet it is this inability to say no that adds flames to a market. For as one group, impatient with delay hops aboard, another group seeing more tape activity also clambers aboard. And then another group. And so it goes, until the whole

(Continued on page 2605)

Railroad Securities

The inconclusive nature of the court hearings on the St. Paul plan last week were a considerable disappointment to many speculators in the road's securities, as evidenced by the wide fluctuations during the day last Friday and final prices below those of the preceding close. There had been a feeling that most of the uncertainties might be cleared up at the initial hearing, and particularly it had been expected that the question of payment or non-payment of the RFC loan would be settled.

The plan itself largely represents a compromise between the main creditor groups, which had been one reason for expecting speedy approval by the court. Nevertheless, there were a number of objecting junior bondholders' groups as well as the trustees for the Adjustment bonds and the Chicago, Milwaukee & Gary lien. Also, as is generally to be expected in Section 77 proceedings, the management of the road objected to the entire proposal. It was contended that development of the Pacific Northwest had resulted in the likelihood that future earning power of the properties would be such as to give value to the old common stock. It is apparently characteristic of the managements of reorganization railroads that they are convinced of the future bright prospects of their properties, either because of territorial growth or increased economies of operation, no matter what the record may show.

Be that as it may, the objections raised on Friday are not considered as carrying any serious threat to expeditious approval of the plan, at least in its broad principles. Judge Igoe himself said he had one objection to the proposed plan, and that was the provision calling for ICC approval of the voting trustees. The case was continued to June 30 and, according to press reports, Judge Igoe indicated that he would have an order ready at that time. If the order approves the plan it is likely that when-issued trading in the new securities will start immediately.

The biggest surprise of the hearing was the objection by Henry A. Scandrett, on behalf of the trustees of the road, to the payment of the RFC loan. The loan amounts to only $10,442,828, which appears as a modest sum in relation to the road's cash resources. A little less than a year ago, in hearings before the Interstate Commerce Commission, the trustees of the road made an estimate of cash at the end of the year, and the road's probable requirements. On the basis of these estimates it was determined that it would be possible to distribute some $52,000,000 of cash to bondholders under the plan. Actually, the cash position of the road at the year-end was somewhat better than had been estimated, if one considers Government bond holdings set up as a reserve for undermaintenance but not included among current assets.

Income this year was estimated at over $31,000,000 by Mr. Scandrett at the hearings last week. Total fixed and contingent charges and preferred dividends under the plan amount to less than $15,000,000, so that even if reserves for this entire amount were set up there would still be an excess of $16,000,000 released from 1944 earnings. Nevertheless, Mr. Scandrett feels that payment of the $10,000,000 RFC loan would reduce cash below the minimum necessary for the reorganized company. It was stated that only $19,777,830 cash would remain on Jan. 1, 1945, over treasury requirements and that if the RFC were paid off this would be reduced to below $10,000,000. In arriving at these figures it was estimated that gross cash would be increased only $6,123,000 during the year despite the earnings of over $31,000,000.

The testimony tends to highlight once again the mystery of reorganization railroads' cash. It seems in all cases to build up very rapidly under the stimulus of war-swollen traffic. On the other hand, it seems to dissolve rapidly when receivers or trustees are called upon to decide what funds are available for distribution to bondholders. If actually the cash available for distribution is not accumulating at a more rapid rate under present boom conditions than admitted in many of the estimates that have been made in the past year it would appear that the ICC has overcapitalized rather than undercapitalized these reorganizations. In many quarters it is felt that these estimates should be subject to more expert review before being accepted by the courts as a true picture of what can be disbursed.

Sulzbacher Granger Partner

Sulzbacher, Grange & Co., 111 Broadway, New York City, members of the New York Stock Exchange, will admit Albert Ulmann to partnership in the firm as of July 1. Mr. Ulmann was a partner in the past.

H. O. McDonald With Midland Securities

TORONTO, ONT.—Group Captain H. O. McDonald, formerly commanding officer of No. 1 Manning Depot, Toronto, has been appointed manager of the Toronto office of Midland Securities, Ltd., Dominion Bank Building. Captain McDonald was formerly with Cochran, Murray & Co., and prior thereto with Bell, Gouinlock & Co.

New York Security Dealers Association Annual Outing

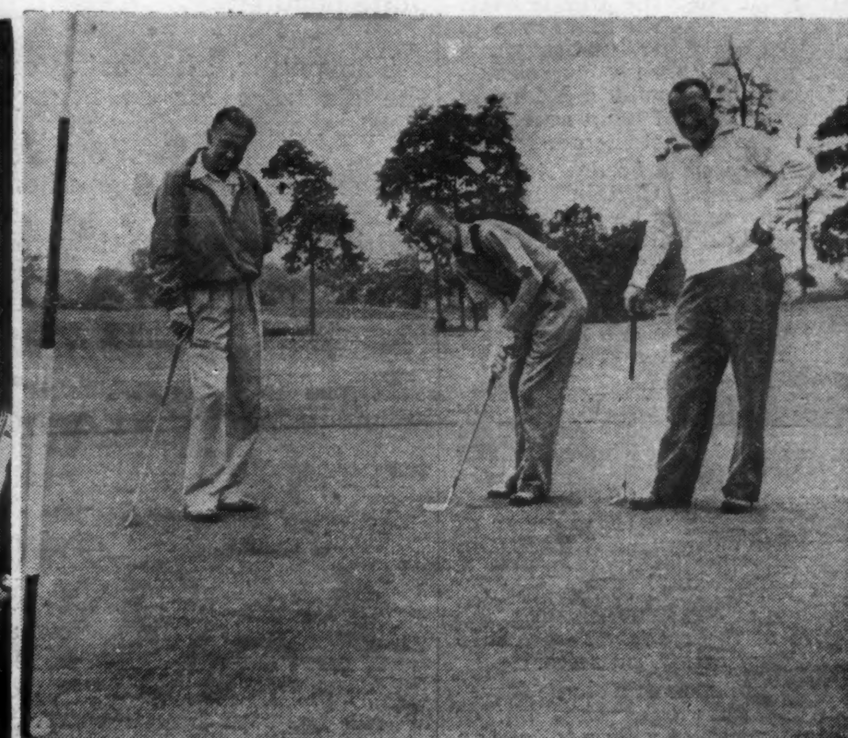
P. J. Steindler of P. J. Steindler & Co.; Murray Lerner of Adler, Coleman & Co.; Irving Greene of Greene & Co.; Joseph Wolfe of Elliot & Wolfe; Pete Ross of National Quotation Bureau; Meyer Willett of Bristol & Willett.

Reginald J. Knapp of Geo. B. D. Bonbright & Co.; S. Watson Maxwell of J. F. Reilly & Co.; Douglas R. Hansel of Wertheim & Co.

Hanns E. Kuehner of Joyce, Kuehner & Co.; Philip C. Kullman, Jr. and John J. O'Kane, Jr., both of John J. O'Kane, Jr. & Co.; Mel Wein of M. S. Wein & Co.

Irving Gordon of Gruntal & Co.; Gerry Kane of Luckhurst & Co.; Joseph Lann of M. S. Wein & Co.; Arthur Hatz of Arnhold & S. Bleichroeder, Inc.

Jeanne Girard, Entertainer, playing the Star Spangled Banner before dinner.



Walter Rhone, Guest; P. J. Steindler of P. J. Steindler & Co.; L. A. Shea, Guest.

John H. Stevenson of Ward & Company; John Wolforth of Central National Corp.; Bertram Seligman of Ward & Company; Russell P. Williams of Kearns & Williams.

Standing—Rob Lienhard and Walter Filkins, both of Troster, Currie & Summers; *Seated*—Jules Bean of Luckhurst & Co.; Edwin L. Beck of Financial Chronicle; Boo Mackie of Luckhurst & Co.

Lou Walker of National Quotation Bureau; Chet De Willers of C. E. De Willers & Co.; Gene Stark of Merrill Lynch, Pierce, Fenner & Beane; Cy Murphy of Mackubin, Legg & Co.; Philip Kullman, Jr. of John J. O'Kane, Jr. & Co.

Which Was Held At North Hills Golf Club June 15th

R. H. Johnson of R. H. Johnson & Co.; Richard G. Horn and Peter P. McDermott, both of Peter P. McDermott & Co.; E. B. Breen of R. H. Johnson & Co.

Lou Singer and Jim Currie both of Troster, Currie & Summers.

J. F. Reilly of J. F. Reilly & Co.; Irving Ittleman of Strauss Bros.; Jay Duga of Merrill, Lynch, Pierce, Fenner & Beane; C. E. Unterberg of C. E. Unterberg & Co.; H. R. Schmitt of Pulis, Dowling & Co.

John McLaughlin of McLaughlin, Baird & Reuss; Charles Jann of Estabrook & Co.; Stanley Roggenburg of Roggenburg & Co.; Mike Heeney of Jos. McManus & Co.

Martin King of King & King; Harold Smith of Collin, Norton & Co. (N. Y. C.); Bill Kumm of Dunne & Co.

Arthur H. Larson, Guest; Jim Durnin and Roy Larson, both of H. D. Knox & Co., (N. Y. C.); Roger McMann of W. E. Burnett & Co.

Erwin Stugard of Bond & Goodwin, Inc.; William Summers of Troster, Currie & Summers; Frank Dunne of Dunne & Co.; Otto Steindecker of New York Hanseatic Corp.

F. J. Rabe of F. J. Rabe & Co.; Wm. Hart Smith of Hart Smith & Co.; Charles H. Dowd of Hodson & Company, Inc.

Frank Dunne of Dunne & Co.; James Currie, Jr. of Troster, Currie & Summers; J. F. Sammon of J. F. Sammon & Co.; Richard Horn of Peter P. McDermott & Co.

Affair Was Most Enjoyable With Record Attendance

Lew Singer of Troster, Currie & Summers; Leo Schlussel of Salomon Bros. & Hutzler; Chas. F. Bryan of Spencer Trask & Co.; Lester Greenwald of Wellington & Co.; Mortimer Gartman of Josephthal & Co.

R. A. Kester of Frederic H. Hatch & Co.; Tracy R. Engle and Chas. E. Doyle, both of Buckley Brothers (N. Y. C.)

Standing—Geo. Collins and John Butler, both of Huff, Geyer & Hecht; Milton Pincus of Troster, Currie & Summers; Geo. Geyer of Huff, Geyer & Hecht; *Seated*—Robert Franklin of M. S. Wein & Co.; Martin King of King & King.

Softball Winners (Bulls)

Arthur Burian of Strauss Bros.; William F. Moss of National Quotation Bureau; Sam King of King & King.

Softball—Also Ran (Bears)

Charles M. Kearns of Kearns & Williams; Al. Ritter, Guest; Charles M. Kaiser and Otto H. Berwald, both of Berwald & Co.

Duke Hunter of Hunter & Co.; Otto H. Steindecker of New York Hanseatic Corp.; Herbert Allen of Allen & Co.; Leroy Klein of Lebenthal & Co.

Nathan A. Krumholz of Seigel & Co.; Chas. Ogden of L. J. Goldwater & Co.; Abe Strauss of Strauss Bros.; Dave Sindel of Josephthal & Co.; Sidney Mendelson of Shaskan & Co.; Arnold Wechsler of L. J. Goldwater & Co.

Presentation of President's Cup to Stanley Roggenberg (low net of 78) by Frank Dunne.

Standing—Stanley Schlussel and Hank Serlen, both of Josephthal & Co.; *Seated*—Tom Greenberg of C. E. Unterberg & Co.; Hal Murphy of Financial Chronicle; S. H. Junger of S. H. Junger Co.

Mr. Alfred E. Loyd, Secretary of New York Security Dealers Association—with door prize and golf trophies.

Gen. Leonard P. Ayres Holds Peak War-Time Production Has Passed

(Continued from first page)

no longer matter for mere discussion. They are moving into the realm of pressing reality. This does not mean that production for war is less imperatively important than it has been, but it does mean that we must expect the declining trends to become accelerated, and we must shape our plans with that prospect in mind. Meanwhile our present big task, in which we dare not fail, is the Fifth War Bond Drive.

Industrial Production

"According to preliminary estimates, the index of industrial production compiled by this bank has declined in April. The index was 38.3% above the computed normal level in January. It rose to 40.0 above normal in February and declined to 39.3 above in March. The preliminary figure for April is 38.3% above normal. These figures may be used to bring up to date the long diagram of business activity published by this bank.

"The reduction in the volume of production is widely distributed throughout industry and is not concentrated in any particular field. Of the 28 indexes so far available for April in which a change from March occurred, 18 showed decreases and 10 showed advances. Nine of the declines occurred in durable goods industries, eight in nondurable goods industries, and one in mining. Factory employment has likewise continued to decline. April is the fifth successive month of decrease in the number of workers."

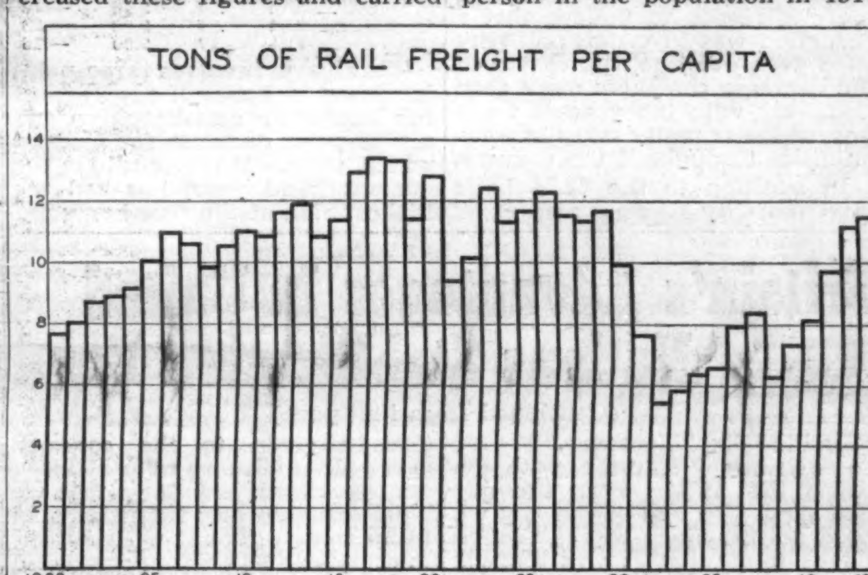
Wartime Incomes

Turning to the subject of wartime incomes, Gen. Ayres remarked that "incomes of farmers have increased by greater percentages than have those of wage and salary workers since war began in Europe in 1939, and both of those increases have been more rapid than have the net profits of corporations. These findings are based on revised data of national income recently published by the Department of Commerce. If the average quarterly incomes of each of the three groups in 1939 are taken as being equal to 100 those that they received in the last quarter of 1943 are found to be 213 for the corporations, 242 for the employees receiving salaries and wages, and 284 for the farm proprietors."

Gen. Ayres next analyzes the relative changes of income received by workers in the mechanical industries as compared with the income of the so-called "white collar" groups, and concludes that "in 1943 the average income of the workers in the mechanical industries was 169% as great as it had been in 1939, but the average income of the 'white collar' workers was only 129% as great as it had been four years earlier. The 'white collar' workers have been steadily losing ground in their relative income status. In 1939 their average incomes were 85% as great as those of the workers in the mechanical industries. In the following year they were only 82% as great, and they fell to 76% in 1941. By 1942 they were down to 67%, and in 1943 their incomes were only 65% as large as those of the workers in the mechanical industries."

Concerning railroad operations, as affected by the war, Gen. Ayres points out that "one of the astonishing facts about the record of the railroads last year is that they originated less freight per capita of the population than they did in most of the years from 1911 through 1929, and far less than they did in the war years of 1917 and 1918. In the accompanying diagram the columns represent the tons of freight originated per capita of the population in each of the 44 years from 1900 through 1943. These tonnages increased irregularly, but rapidly, from the beginning of the period through the first World War. They held their high level fairly well through 1929, and then were greatly decreased in the years of the Great Depression. They reached their lowest level in 1932.

"In the diagram the columns represent the number of tons of freight, per capita of the population, originated by all roads in each year. By using the data for tons originated, each ton is taken into account only once, and there are no duplications, nor is any attention paid to the distance the freight was hauled. In the earliest part of the 44-year period the tons of freight originated were from eight to nine per person per year. From 1900 up to the first war period there was an irregular but rapid advance that greatly increased these figures and carried them up to well over 13 tons per person in the population in 1917.



Compiled by The Cleveland Trust Co.

"Decreases during the Great Depression were very severe. In 1932 the tons originated were only 5.4 per person. In the recovery year of 1937 they increased to 8.4 tons, and then slumped back to 6.3 tons in 1938. Since then there has been an unbroken series of increases, and it may well be that another will follow in this year of 1944. In the five-year period from 1916 through 1920 the average number of tons originated per person per year was 12.8, but in the five depression years from 1931 through 1935 the average was only 6.3 tons per person per year, or less than half as much. In the seven prosperity years from 1923 through 1929 the average was 11.7 tons of freight originated per person per year.

"We have repeatedly been told that all previous records for the moving of railroad freight were broken in 1943. The reason why that is true is that the unit of measurement is the ton-mile, or the hauling of one ton of revenue freight over the distance of one mile. In 1943 the average ton of freight was carried a much greater distance than in previous years, and it is the long hauls that are responsible for setting up the new records. Of course it is also true that the population has been increasing. The actual number of tons of railroad freight originated was greater in 1943 than it was in any earlier year, but it was only about 9% more than in 1929."

In the Armed Forces

The Boston Securities Traders Association reports that the following are now in the armed forces:

H. Hale Atherton, Frank S. Breen, John L. Daley, and John H. Lawson.

Forty-nine members of the Association are now in the services.

Fred Busbey Links CIO With Communists

WASHINGTON, D. C.—Fred E. Busbey, Representative (R) from Illinois, in a speech prepared for delivery in the House linked the leadership of the Political Action Committee of the CIO with the Communists and urged opponents to "take a leaf from its book" in combating it in the elections this year.

Representative Busbey, citing the P. A. C.'s intensive drive to register voters, showed, by a state-by-state roll call, the millions of voting age who did not vote in 1940.

"The failure of our people to vote in the various states in the coming election may be a direct contribution to the downfall of our government," he declared.

F. V. Nixon Now With Buckley Brothers

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—Francis V. Nixon has become associated with Buckley Brothers, 530 W. Sixth St. Mr. Nixon was formerly with Hopkins, Harbach & Co. and Quincy Cass Associates. In the past he was in the investment business for himself in New York City, and was an officer of Distributors Group, Inc.

J. P. Morgan & Co. Appoints Assistant Treas.

At the regular meeting of the board of directors of J. P. Morgan & Co. Incorporated, held on June 31, Messrs. John E. Hopkins and Renville A. Yetman were appointed Assistant Treasurers.

Real Estate Securities

By JOHN WEST

N. Y. City's New Basic Realty Tax Lowest In Seven Years

The New York City Council on June 21 adopted a basic realty tax rate of $2.74 per $100 of assessed valuation for fiscal year 1944-45. The new rate contrasts sharply with the current impost of $2.89, highest in the city's history, and is at the lowest level since 1937, when the figure was $2.64.

However, despite the fact that it represents a reduction of 15 points from the current level, some members of the municipal Council expressed the view that the new rate could have been even less than the $2.74 figure.

Regardless of the merits of their contentions, the sharp reduction actually effected is bound to react to the advantage of the market for securities outstanding against local properties. While there is reason to believe that a reduction was in order, and perhaps even overdue, the extent of the decrease compares more than favorably with the general trend toward lower realty taxes in communities throughout the country.

In addition to the $2.74 basic rate, the City Council also fixed borough assessment rates for local improvements, the effect of which is reflected in the following tabulation indicating the total rate applicable to property in each of the five boroughs:

	Basic Tax 1944-45	Assessments	Total	Diff'nce from 1943-44
Manhattan	2.74	.18	2.91	—.13
Bronx	2.74	.15	2.89	—.14
Brooklyn	2.74	.20	2.93	—.12
Queens	2.74	.20	2.93	—.20
Richmond	2.74	.17	2.90	—.16

The change involves three-point increases in borough assessments for Manhattan and Brooklyn and a four-point decrease for Queens, which, with a $3.13 tax rate in the current fiscal year, has had the highest rate of the five boroughs.

Britain's Advantages In United Nations Stabilization Fund

(Continued from first page)

called the dog "Moreover." We hit no such happy solution, with the result that it has been the dog that died. The loss of the dog we need not too much regret, though I still think that it was a more thoroughbred animal than what has now come out from a mixed marriage of ideas. Yet, perhaps, as sometimes occurs, this dog of mixed origin is a sturdier and more serviceable animal and will prove not less loyal and faithful to the purposes for which it has been bred.

I commend the new plan to your Lordships as being, in some important respects (to which I will return later), a considerable improvement on either of its parents. I like this new plan and I believe that it will work to our advantage. Your Lordships will not wish me to enter into too much technical detail. I can best occupy the time available by examining the major benefits this country may hope to gain from the plan; and whether there are adequate safeguards against possible disadvantages. We shall emerge from this war, having won a more solid victory over our enemies, a more enduring friendship from our Allies, and a deeper respect from the world at large, than perhaps at any time in our history. The victory, the friendship, and the respect will have been won, because, in spite of faint-hearted preparations, we have sacrificed every precaution for the future in the interests of immediate strength with a fanatical single-mindedness which has had few parallels. But the full price of this has still to be paid. I wish that this was more generally appreciated in the country than it is. In thus waging the war without counting the ultimate cost we—and we alone of the United Nations—have burdened ourselves with a weight of deferred indebtedness to other countries beneath which we shall stagger. We have already given to the common cause all, and more than all, that we can afford. It follows that we must examine any financial plan to make sure that it will help us to carry our burdens and not add to them. No one is more deeply convinced of this than I am. I make no complaint, therefore, that those to whom the details of the scheme are new and difficult, should scrutinize them with anxious concern.

What, then, are these major advantages that I hope from the plan to the advantage of this country? First, it is clearly recognized and agreed that, during the post-war transitional period of uncertain duration, we are entitled to retain any of those wartime restrictions, and special arrangements with the Sterling Area and others which are helpful to us, without being open to the charge of acting contrary to any general engagements into which we have entered. Having this assurance, we can make our plans for the most difficult days which will follow the war, knowing where we stand and without risk of giving grounds of offense. This is a great gain—and one of the respects in which the new plan is much superior to either of its predecessors, which did not clearly set forth any similar safeguards.

Second, when this period is over and we are again strong enough to live year by year on our own resources, we can look forward to trading in a world of national currencies which are inter-convertible. For a great commercial nation like ourselves this is indispensable for full prosperity. Sterling itself, in due course, must obviously become, once again, generally convertible. For, without this, London must necessarily lose its international position, and the arrangements in particular of the Sterling Area would fall to pieces. To suppose that a system of bilateral and barter agreements, with no one who owns sterling knowing just what he can do with it—to suppose that this is the best way of encouraging the Dominions to center their financial systems on London, seems to me pretty near frenzy. As a technique of little Englandism, adopted as a last resort when all else has failed us, with this small country driven to autarchy, keeping itself to itself in a harsh and unfriendly world, it might make more sense. But those who talk this way, in the expectation that the rest of the Commonwealth will throw in their lot on these lines and cut their free commercial relations with the rest of the world, can have very little idea how this Empire has grown or by what means it can be sustained.

So far from an international plan endangering the long tradition, by which most Empire countries, and many other countries, too, have centered their financial systems in London, the plan is, in my judgment, an indispensable means of maintaining this tradition. With our own resources so greatly impaired and encumbered, it is only if sterling is firmly placed in an international setting that the necessary confidence in it can be sustained. Indeed, even during the transitional period, it will be our policy, I hope, steadily to develop the field within which sterling is freely available as rapidly as we can manage. Now if our own goal is, as it surely must be, the general inter-convertibility of sterling with other currencies, it must obviously be to our trading advantage that the same obtains elsewhere, so that we can sell our exports in one country and freely spend the proceeds in any other. It is a great gain to us in particular, that other countries in the world should agree to refrain from those discriminatory exchange practices which we ourselves have never adopted in times of peace but from which in the recent past our traders have suffered greatly at the hands of others. My noble friend Lord Addison has asked whether such an arrangement could be operated in such a way that certain markets might be closed to British exports. I can firmly assure him that none of the monetary proposals will do so provided that if we find ourselves with currencies in a foreign country which we do not choose to spend in that country, we can then freely remit them somewhere else to buy goods in another country. There is no compulsion on us, and if we choose to come to a particular bargain in the country where we have resources, then that is entirely at our discretion.

Third, the wheels of trade are to be oiled by what is, in effect, a great addition to the world's stock of monetary reserves, distributed, moreover, in a reasonable way. The quotas are not so large as under the Clearing Union, and Lord Addison drew attention to that. But they are substantial and can be increased subsequently if the need is shown. The aggregate for the world is put provisionally at £2,500,000,000. Our own share of this—for ourselves and the Crown Colonies which, I may mention, are treated for all purposes as a part of the British monetary system (in itself a useful acknowledgment) — is £325,000,000, a sum which may easily double, or more than double, the reserves which we shall otherwise hold at the end of the transitional period. The separate quotas of the rest of the sterling area will make a further large addition to this. Who is so confident of the future that he will wish to throw away so comfortable a supplementary aid in time of trouble? Do the critics think it preferable, if the winds of the trade cycle blow, to diminish our demand for imports by increasing unemployment at home, rather than meet the emergency out of this Fund which will be expressly provided for such temporary purposes?

I emphasize that such is the purpose of the quotas. They are not intended as daily food for us or any other country to live upon during the reconstruction or afterwards. Provision for that belongs to another chapter of international co-operation, upon which we shall embark shortly unless you discourage us unduly about this one. The quotas for drawing on the Fund's resources are an iron ration to tide over temporary emergencies of one kind or another. Perhaps this is the best reply I can make to Lord Addison's doubts whether our quota is large enough. It is obviously not large enough for us to live upon during the reconstruction period. But this is not its purpose. Pending further experience, it is, in my judgment, large enough for the purposes for which it is intended.

There is another advantage to which I would draw your Lordships' special attention. A proper share of responsibility for maintaining equilibrium in the balance of international payments is squarely placed on the creditor countries. This is one of the major improvements in the new plan. The Americans, who are the most likely to be affected by this, have, of their own free will and honest purpose, offered us a far-reaching formula of protection against a recurrence of the main cause of deflation during the inter-war years, namely the draining of reserves out of the rest of the world to pay a country which was obstinately borrowing and exporting on a scale immensely greater than it was lending and importing. Under Clause VI of the plan a country engages itself, in effect, to prevent such a situation from arising again, by promising, should it fail, to release other countries from any obligation to take its exports, or, if taken, to pay for them. I cannot imagine that this sanction would ever be allowed to come into effect. If by no other means, than by lending, the creditor country will always have to find a way to square the account on imperative grounds of its own self-interest. For it will no longer be entitled to square the account by squeezing gold out of the rest of us. Here we have a voluntary undertaking, genuinely offered in the spirit both of a good neighbor and, I should add, of enlightened self-interest, not to allow a repetition of a chain of events which between the wars did more than any other single factor to destroy the world's economic balance and to prepare a seed-bed for foul growths. This is a tremendous extension of international co-operation to good ends. I pray your Lordships to pay heed to its importance.

Fifth, the plan sets up an international institution with substantial rights and duties to preserve orderly arrangements in matters such as exchange rates which are two-ended and affect both parties alike, which can also serve as a place of regular discussion between responsible authorities to find ways to escape those many unforseeable dangers which the future holds. The noble lord, Lord Addison, asks how the Fund is to be managed. Admittedly, this is not yet worked out in the necessary detail, and it was right that he should stress the point. But three points which may help him are fairly clear. This is an organization between governments, in which Central Banks only appear as the instrument and agent of their Government. The voting power of the British Commonwealth and that of the United States are expected to be approximately equal. The management will be in three tiers—a body of expert, whole-time officials who will be responsible for the routine; a small board of management which will make all decisions of policy subject to any overriding instructions from the Assembly, an Assembly of all the member-

New Yorkers Elected By Special Libraries

Walter Hausdorfer, Librarian, School of Business, Columbia University, who was elected

Walter Hausdorfer

President, Special Libraries Association, Philadelphia, Pa., June 21, 1944.

Anne Mendel, Librarian, Bank of the Manhattan Company, who was elected Chairman of the Financial Group of the Special Libraries Association, Philadelphia, Pa., June 21, 1944.

Anne Mendel

governments meeting less often and retaining a supervisory, but not an executive, control. That is perhaps even a little better than appears.

Here are five advantages of major importance. The proposals go far beyond what, even a short time ago, anyone could have conceived of as a possible basis of general international agreement. What alternative is open to us which gives comparable aid or, better, more hopeful opportunities for the future? I have considerable confidence that something very like this plan will be in fact adopted, if only on account of the plain demerits of the alternative of rejection. You can talk against this plan, so long as it is a matter of talking—saying in the same breath that it goes too far and that it does not go far enough; that it is too rigid to be safe and that it is too loose to be worth anything. But it would require great foolhardiness to reject it, much more foolhardiness than is to be found in this wise, intuitive country.

Therefore, for these manifold and substantial benefits I commend the monetary proposals to your Lordships. Nevertheless, before you will give them your confidence, you will wish to consider whether, in return, we are surrendering anything which is vital for the ordering of our domestic affairs in the manner we intend for the future. My Lords, the experience of the years before the war has led most of us, though some of us late in the day, to certain firm conclusions. Three in particular are highly relevant to this discussion. We are determined that in future the external value of sterling shall conform to its internal value as set by our own domestic policies, and not the other way round. Secondly, we intend to retain control of our domestic rate of interest so that we can keep it as low as suits our own purposes, without interference from the ebb and flow of international capital movements or flights of hot money. Thirdly, whilst we intend to prevent inflation at home, we will not accept deflation at the dictate of influences from outside. In other words, we abjure the instruments of bank rate and credit contraction operating through the increase of unemployment as a means of forcing our domestic economy into line with external factors.

Have those responsible for the monetary proposals been sufficiently careful to preserve these principles from the possibility of interference? I hope your Lordships will trust me not to have turned my back on all I have fought for. To establish those three principles which I have just stated has been my main task for the last 20 years. Sometimes almost alone, in popular articles in the press, in pamphlets, in dozens of letters to the "Times," in textbooks, in enormous and obscure treatises I have spent my strength to persuade my countrymen and the world at large to change their traditional doctrines and, by taking better thought, to remove the course of unemployment. Was it not I, when many of today's iconoclasts were still worshippers of the Calf, who wrote that "gold is a barbarous relic"? Am I so faithless, so forgetful so senile that, at the very moment of the triumph of these ideas when, with gathering momentum, governments, parliaments, banks, the press, the public, and even economists, have at last accepted the new doctrines, I go off to help forge new chains to hold us fast in the old dungeon? I trust, my Lords, that you will not believe it.

Let me take first the less prominent of the two issues which arise in this connection. Namely, our power to control the domestic rate of interest so as to secure cheap money. Not merely as a feature of the transition but as a permanent arrangement, the plan accords to every member-government the explicit right to control all capital movements. What used to be a heresy is now endorsed as orthodox. In my own judgment, countries which avail themselves of this right may find it necessary to scrutinize all transactions, so as to prevent evasion of capital regulations. Provided that the innocent, current transactions are let through, there is nothing in the plan to prevent this. In fact, it is encouraged. It follows that our right to control the domestic capital market is secured on firmer foundatons than ever before, and is formally accepted as a proper part of agreed international arrangements.

The question, however, which has recently been given chief prominence is whether we are in any sense returning to the disabilities of the former gold standard, relief from which we have rightly learnt to prize so highly. If I have any authority to pronounce on what is and what is not the essence and meaning of a gold standard, I should say that this plan is the exact opposite of it. The plan in its relation to gold is, indeed, very close to proposals which I advocated in vain as the right alternative, when I was bitterly opposing this country's return to gold. The gold standard, as I understand it means a system under which the external value of a national currency is rigidly tied to a fixed quantity of gold which can only honorably be broken under force majeure; and it involves a financial policy which compels the internal value of the domestic currency to conform to this external value as fixed in terms of gold. On the other hand, the use of gold merely as a convenient common denominator by means of which the relative values of national currencies—these being free to change—are expressed from time to time is obviously quite another matter.

My noble friend, Lord Addison, asks who fixes the value of gold. If he means, as I assume he does, the sterling value of gold, it is we ourselves who fix it initially in consultation with the Fund; and this value is subject to change at any time on our initiative, changes in excess of 10% requiring the approval of the Fund, which must not withhold approval if our domestic equilibrium requires it. There must be some price for gold; and so long as gold is used as a monetary reserve it is most advisable that the current rates of exchange and the relative values of gold in different currencies should correspond. The only alternative to this would be the complete demonetization of gold. I am not aware that anyone has proposed that. For it is only common sense as things are today to continue to make use of gold and its prestige as a means of settling international accounts. To demonetize gold would obviously be highly objectionable to the British Commonwealth and to Russia as the main producers, and to the United States and the Western Allies as the main holders of it. Surely no one disputes that? On the other hand, in this country we have already dethroned gold as the fixed standard of value. The plan not merely confirms the dethronement but approves it by expressly providing that it is the duty of the Fund to alter the gold value of any currency if it is shown that this will be serviceable to equilibrium.

In fact, the plan introduces in this respect an epoch-making innovation in an international instrument, the object of which is to lay down sound and orthodox principles. For instead of maintaining the principle that the internal value of a national currency should conform to a prescribed de jure external value, it provides that its external value should be altered if necessary so as to conform to whatever de facto internal value results from domestic policies which themselves shall be immune from criticism by the Fund. Indeed, it is made the duty of the Fund to approve changes which will have this effect. That is why I say that these proposals are the exact opposite of the gold standard. They lay down by international agreement the essence of the new doctrine, far removed from the old orthodoxy. If they do so in terms as inoffensive as possible to the former faith, need we complain?

No, my Lords, in recommending these proposals I do not blot a page already written. I am trying to help write a new page. Public opinion is now converted to a new model, and I believe a much improved model, of domestic policy. That battle is all but won. Yet a not less difficult task still remains, namely, to organize an international setting within which the new domestic policies can occupy a comfortable place. Therefore, it is above all as providing an international framework for the new ideas and the new techniques associated with the policy of full employment that these proposals are not least to be welcomed.

Last week my noble friend Lord Bennett asked what assumptions the experts might be making about other phases of international agreement. I do not believe that the soundness of these foundations depends very much on the details of the superstructure. If the rest of the issues to be discussed are wisely settled, the task of the Monetary Fund will be rendered easier. But if we gain less assistance from other measures than we now hope, an agreed machinery of adjustment on the monetary side will be all the more necessary. I am certain that this is not a case of putting the cart before the horse. I think it most unlikely that fuller knowledge about future commercial policy would in itself make it necessary to alter any clause whatever in the proposals now before your Lordships' House. But if the noble Viscount meant that these proposals need supplementing in other directions, no one could agree with him more than I do. In particular, it is urgent that we should seek agreement about setting up an International Investment Institution to provide funds for reconstruction and afterwards. It is precisely because there is so much to do in the way of international collaboration in the economic field that it would be so disastrous to discourage this first attempt, or to meet it in a carping, suspicious or cynical mood.

The noble Lord, Lord Addison, has called the attention of your Lordships to the striking statement made by Mr. Hull in connection with the National Foreign Trade Week in the United States, and I am very glad that he did so. This statement is important as showing that the policy of the United States Administration on various issues of political and economic preparation forms a connected whole. I am certain that the people of this country are of the same mind as Mr. Hull, and I have complete confidence that he on his side will seek to implement the details with disinterestedness and generosity. If the experts of the American and British Treasuries have pursued the monetary discussions with more ardor, with a clearer purpose and, I think, with more success so far than has yet proved possible with other associated matters, need we restrain them? If, however, there is a general feeling, as I think that there is, that discussion on other matters should be expedited, so that we may have a complete picture before us, I hope that your Lordships will enforce this conclusion in no uncertain terms. I myself have never supposed that in the final outcome the monetary proposals should stand by themselves.

It is on this note of emphasizing the importance of furthering all genuine efforts directed towards international agreement in the economic field that I should wish to end my contribution to this debate. The proposals which are before your Lordships are the result of the collaboration of many minds and the fruit of the collective wisdom of the experts of many nations. I have spent many days and weeks in the past year in the company of experts of this country, of the Dominions, of our European Allies and of the United States; and, in the light of some past experience I affirm that these discussions have been without exception a model of what such gatherings should be—objective, understanding, without waste of time or expense of temper. I dare to speak for the much abused so-called experts. I even venture sometimes to prefer them, without intending any disrespect, to politicians. The common love of truth, bred of a scientific habit of mind, is the closest of bonds between the representatives of divers nations.

I wish I could draw back the veil of anonymity and give their due to the individuals of the most notable group with which I have ever been associated, covering half the nations of the world, who from prolonged and difficult consultations, each with their own interests to protect, have emerged, as we all of us know and feel in our hearts, a band of brothers. I should like to pay a particular tribute to the representatives of the United States Treasury and the State Department and the Federal Reserve Board in Washington, whose genuine and ready consideration for the difficulties of others, and whose idealistic and unflagging pursuit of a better international order, made possible so great a measure of agreement. I at any rate have come out from a year thus spent greatly encouraged, encouraged beyond all previous hope and expectation, about the possibility of just and honorable and practical economic arrangements between nations.

Do not discourage us. Perhaps we are laying the first brick, though it may be a colorless one, in a great edifice. If indeed it is our purpose to draw back from international cooperation and to pursue an altogether different order of ideas, the sooner that this is made clear the better; but that, I believe, is the policy of only a small minority, and for my part I am convinced that we cannot on those terms remain a Great Power and the mother of a Commonwealth. If, on the other hand, such is not our purpose, let us clear our minds of excessive doubts and suspicions and go forward cautiously by all means, but with the intention of reaching agreement.

A Bank's War-Time Challenge

Indicative of the part the nation's banks are playing in the sale of United States War Bonds is a giant painting, on canvas, 14 feet square, installed on the east wall of the main lobby of the Chase National Bank of the City of New York at Pine and Nassau Streets for the fifth war bond drive. The canvas depicts an American flyer pointing to his own record of 15 Japanese planes knocked out of the air and asking all who enter the bank to augment the score by buying more war bonds. Incidentally, the Chase alone is credited with entering subscriptions for more than $4 billions of war bonds in the four drives preceding the present one.

Kessler Now President Of Southside Federal

CLEVELAND, OHIO — Arthur J. Kessler, Assistant Secretary-Treasurer of South Side Federal Savings & Loan Association of Cleveland, has advanced from First Vice-President to President of the American Savings & Loan Institute. He succeeds Walter McCaleb Jr. of Second Federal Savings & Loan Association of Cleveland.

Carl E. Ault of South Euclid Savings & Loan Co. was chosen First Vice-President and Henry S. Jablonski of Third Federal Savings & Loan Association Second Vice-President.

Ohio Municipal Comment

By J. AUSTIN WHITE

Despite the oft-mentioned but doubtfully effective "invasion jitters" of several weeks ago, the municipal market has taken the long awaited news in stride. In fact, it seems the market is actually stronger now that the invasion has started, and has met with at least initial success. And well it might be thus.

J. Austin White

Several weeks ago many buyers were talking of the possible, or probable lower prices which might be seen in the municipal market if a successful invasion would bring the end of the war into more immediate view. This talk was, and probably still is, based largely upon two considerations: (1) that the end of the war will bring a larger supply of municipals into the market as subdivisions again resume the issuance of bonds held up during the war because of lack of materials for proposed improvements; and (2) that the end of the war would bring lower taxes and, therefore, less value for tax exemption.

There is probably truth in both these considerations. Albeit, in Ohio at least, it is quite doubtful that there will be a material increase in the issuance of high grade municipals, and it is especillay doubtful if there will be issued enough such bonds to equal the maturities that will be paid off in the next several years.

Moreover, it is doubtful if the tax rates that have made mu-

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Wm. L. Strong Joins Blair Securities

CLEVELAND, OHIO—Blair Securities Corp., Union Commerce Building, announce that William L. Strong is now associated with them as trader. Mr. Strong who has been connected with the securities business for the past twenty years was recently with J. S. Bache & Co.

Ohio Municipal Price Index

Date—	*	†	‡	§
Jun. 14, 1944	1.31%	1.46%	1.16%	.30%
Jun. 7	1.33	1.48	1.18	.30
May 17	1.31	1.46	1.16	.30
Apr. 12	1.32	1.46	1.17	.29
Mar. 15	1.34	1.50	1.19	.31
Feb. 16	1.37	1.53	1.21	.32
Jan. 19	1.40	1.57	1.23	.34
Dec. 15, 1943	1.42	1.59	1.24	.35
Nov. 17	1.39	1.57	1.22	.35
Oct. 13	1.39	1.58	1.21	.37
Sep. 15	1.43	1.62	1.24	.38
Aug. 18	1.44	1.63	1.25	.38
July 15	1.50	1.63	1.32	.36
Mar. 16	1.76	1.97	1.55	.42
Jan. 1, 1943	1.83	2.01	1.65	.36
Jan. 1, 1942	1.92	2.13	1.70	.43
Jan. 1, 1941	1.88	2.14	1.62	.52
Jan. 1, 1940	2.30	2.58	2.01	.57
Jan. 1, 1939	2.78	3.33	2.24	1.09
Jan. 1, 1938	2.98	3.42	2.55	.87

Foregoing compiled by J. A. White, Cincinnati.

*Composite index for 20 bonds. †10 lower grade bonds. ‡10 high grade bonds §Spread between high grade and lower grade bonds.

Lamb To N. Y. Office Of Merrill Lynch Co.

CLEVELAND, OHIO—Ray L. Lamb, resident partner of Merrill Lynch, Pierce, Fenner & Beane, 216 Superior Avenue, N. E., is leaving Cleveland the first of July to become associated with the company's New York office at 70 Pine Street. He has resigned as a governor of the Cleveland Stock Exchange.

Mr. Lamb announced that he will continue to give special attention to the company's six Ohio offices in addition to regular duties in New York. He hopes to return to Cleveland following the war when several of the company's partners now in armed services resume their former places. Guy W. Prosser of Lamb's firm, has been elected an exchange governor to serve out Lamb's unexpired term.

Cleveland Bond Club Annual Party & Meeting

Candidates for Governors

CLEVELAND, OHIO—Members of the Cleveland Bond Club will hold their annual golf party and meeting tomorrow.

Members will play golf in the afternoon and following dinner James F. Lincoln, President of Lincoln Electric Co., will speak on "Incentive vs. Government Control."

The club's nominating committee announced names of four candidates to two seats on the board of governors. They are: David J. Barhyte of Hawley, Shepard & Co.; Walter B. Carleton of Fahey, Clark & Co.; J. L. Quigley of Quigley & Co., and William J. Mericka of Wm. J. Mericka & Co. Retiring from the board are A. H. Richards of Field, Richards & Co. and Emil A. Legros of First Cleveland Corp.

Otis & Co. Granted Review By High Court

CLEVELAND, OHIO—Otis & Co., Terminal Tower, has been granted its request for a review by the Supreme Court on a rule announced by the Securities Commission regarding treatment of securities of public utility holding companies forced to liquidate under the holding company act.

Otis' protest was based on commission's action in approving the United Power & Light Co. liquidation plan which called for distribution of assets to preferred and common stockholders on the basis of 94.52% and 5.48%, respectively. Otis contended the Commission decision failed to follow a rule of "absolute priority" dictated by the high court in bankruptcy proceedings.

Ohio Brevities

Stockholders of Reliance Steel Corp. of Cleveland have approved merger of the company with Detroit Steel Corp. of Detroit. The management said the merger will be consummated effective at the close of business June 30 after which new securities will be issued.

The merger involves issuance of debentures and new $2 par common stock of Detroit Steel in exchange for presently outstanding shares of both companies. Reliance holders will receive $3.33⅓ principal amount of 6 percent 20-year sinking fund debentures and 85/100ths of a share of new $2 common for each share of Reliance stock.

Detroit Steel holders will get $10 in principal amount of debentures and one share of $2 common for each share of $5 par stock. The merged company will continue the business of the constituent corporations under the name of Detroit Steel Corp.

* * *

Harvey O. Mierke has been chosen secretary of Higbee Co., large Cleveland department store. Mr. Mierke, who has been a director, succeeds President John P. Murphy as secretary. Directors declared a dividend of 75 cents a share on common stock, the third such declaration so far this year. It is payable July 15 to stockholders of record July 1.

* * *

Forde U. Steel of Central National Bank, placed third in the national public speaking contest of the American Institute of Banking at St. Louis early this month.

* * *

Wheeling & Lake Erie Railway is planning to purchase 1,000 gondola and box cars. It has mailed an application to the Interstate Commerce Commission for authority to issue $1,140,000 equipment trust certificates, series J, to be dated August 1 and maturing in 20-semi-annual installments, in part payment for acquisition of 500 steel sheathed 50-ton box cars to be built by Ralston Steel Car Co. Bids will be mailed July 1 and will be opened at noon July 19.

* * *

The railway said there will be another offering of $926,000 equipments, series K, to be dated September 1, 1944, maturing in 20 semi-annual installments in part payment for 500 all-steel 50-ton high side gondola cars to be constructed by Bethlehem Steel Co. Bids on this issue will be mailed August 1 and opened at noon August 18. The road said in neither issue will discount bids in excess of 1 percent of par be accepted.

Federal Reserve Bank Promotions For Three

CLEVELAND, OHIO—Promotion of two junior officers and a department manager to positions of greater executive responsibility in the official family of the Federal Reserve Bank of Cleveland has been approved by the Board of Directors, it is announced by President M. J. Fleming.

Clyde Harrell

Martin Morrison

Frederick J. Blake

The promotions, effective July 1, are:

Clyde Harrell, Assistant Cashier since January, 1942, was promoted to Assistant Vice-President.

Martin Morrison, Assistant Cashier since July, 1942, also was promoted to Assistant Vice-President.

Frederick J. Blake, Manager of the bank's personnel department was promoted to Assistant Cashier.

Mr. Harrell started with the bank 20 years ago as a page boy in the Cincinnati office. He attended school at night and was graduated from the University of Cincinnati. He is now enrolled in the Graduate School of Banking at Rutgers University. During the last year, Mr. Harrell has been in charge of the bank's rapidly-expanding War Savings Bond operations.

Mr. Morrison's banking experience dates from March, 1915, when he began work at the age of 14 in the DuPage County State Bank at Glen Ellyn, Ill. From 1918 to 1932 he was associated with the former Union Commerce National Bank and Midland Bank here. He joined the Federal Reserve Bank in 1932 and left six years later to become Executive Vice-President of the Lorain Street Bank, returning to the Federal Reserve in 1941.

Mr. Morrison has been in charge of planning, methods and expense accounting, and is credited largely with setting up the bank's highly efficient system for handling War Savings Bonds.

Mr. Blake obtained his master's degree in 1934 at the School of Business Administration, Harvard University, following his graduation from Westminster College. He was associated with the National Refining Co., Ernst & Ernst and the Simmons Manufacturing Co., Ashland, O., before coming to the Federal Reserve Bank four years ago.

Mr. Fleming also announced that the bank has granted a leave of absence to Miss Anne J. Erste, alternate assistant Federal Reserve agent, who has joined the staff of the Foreign Economic Administration. Miss Erste, after a month's training in Washington, will engage in confidential war work with the FEA, with headquarters in Cairo, Egypt.

When she was named alternate assistant Federal Reserve agent in November, 1942, Miss Erste became the first woman to occupy that position in a Federal Reserve Bank.

Kelsey Quits Red Star

CLEVELAND, OHIO—Raymond T. Kelsey, prominent in Cleveland financial district, has resigned as Vice-President of Red Star Products, Inc. Prior to going to Red Star about two years ago, Kelsey was statistician with Paine, Webber & Co., now Paine, Webber, Jackson & Curtis.

Ohio Municipal Comment

(Continued from page 2590)

nicipal bonds attractive will be reduced either materially or soon. Finally, by the time such reductions are made, there will probably be more investors than there are now, who will have come to appreciate fully the value of municipal income, even at present high prices.

But whatever merit these considerations may have, it is based upon an early end of the war—which in itself is certainly still subject to debate. Those who feel that such a development will have a bearish effect upon municipal prices, are, it seems, failing to consider a mot profound bullish effect that a quick end of the war would have upon all high grade bonds.

Each week, for months, the amount of money in circulation has risen by considerable proportions. Each week the Federal Reserve Banks have found it necessary to purchase additional large amounts of Government securities, in order to pump money into the banking system to be used as reserves, against ever increasing deposits. Each week the ratio of gold, held by the Federal Reserve System to its note and reserve deposits, has declined. Each week the people of this country become more immune to appropriation of billions of dollars by their Congress. Each week the people of this country become more accustomed to think lightly of a billion dollars.

Each week these developments continue, the greater is the danger that the holder of any fixed income security will suffer from a decline in the true value of his income, as expressed in terms of what that income will buy. In short, each week these conditions continue, the greater is the danger of inflation.

The most important threat to the market value of high grade municipal bonds, and of all other high grade bonds, over the next several years, in our opinion, is not from a larger supply, nor from lower taxes, but from the far more profound danger of inflation, even if it be expressed only in an inflated price level in post-war years. Each week that the war lasts increases this danger. And for each week that the end of the war can be brought closer, the less is this very grave danger. Therefore, it would seem that a successful invasion, an early defeat of Germany and an early end to Japan, would, each and all, tend to diminish the gravest danger now existing to the value of the income from municipal bonds—whether that income be a yield of 3%, or a yield of 1%.

Perhaps the failure of the municipal market to decline when the invasion started, has brought some buyers to the conclusion that there is no merit to withholding purchases longer. In any event, now that the event has happened, and is progressing with success, the market is actually in stronger condition.

And this situation is true even though the country is absorbed in selling $16,000,000,000 in the Fifth War Loan Drive. In fact, the Ohio municipal market has even witnessed greater activity during these early days of the drive than in the weeks immediately preceding it.

Toledo has just borrowed $716,500 on the most favorable terms it has ever obtained. Bedford has just borrowed $430,000 on the most favorable terms it has ever obtained. Portsmouth has just borrowed $128,000 on the most favorable terms is has ever obtained.

And so the story goes—practically every sale these days is still setting a new record low cost for borrowing for the particular community — all attesting to the strength of the current municipal market.

The Toledos were due 1950-55, but with most of the bonds due 1954-55. They sold at 101.668 for 1½s. Second bid was 101.625 for 1½s. The Portsmouths were due 1950-54, but with most of the bonds due in 1953-54. They sold at 101.15 for 1½s. Second bid was 101.03 for 1½s. The Bedfords were due 1945-50 and sold as 1¾s.

Maturity schedules on refunding bonds in Ohio are now approved by the State Department of Taxation, and the Department is making an endeavor to fit the maturities of the refunding bonds into the existing maturity schedule of the other bonds of the subdivision with a view to making the requirements of the subdivision more uniform in amount over the years concerned. Thus the maturities of refunding bond issues in Ohio are usually no longer of "substantially equal annual installments."

Attractive Situation

The 6% cumulative preferred stock of Eastern Gas & Fuel Associates offers interesting possibilities according to a memorandum on the situation contained in the June number of "The Preferred Stock Guide," being distributed by G. A. Saxton & Co., Inc., 70 Pine Street, New York City. Copies of the "Guide," which also contains quotations on public utility preferred and common stocks, may be had from G. A. Saxton & Co. upon request.

Carl M. Loeb To Admit

Mark J. Millard will become a partner in Carl M. Loeb, Rhoades & Co., 61 Broadway, New York City, members of the New York Stock Exchange and other leading exchanges, effective July 1.

Branch, Cabell To Admit

RICHMOND, VA.—Branch, Cabell & Co., 814 East Main Street, members of the New York and Richmond Stock Exchanges, will admit Mason New to partnership in their firm as of July 1.

Bank and Insurance Stocks

This Week — Insurance Stocks

By E. A. VAN DEUSEN

So much has already been written regarding the Supreme Court's June 5 ruling which classes insurance as interstate commerce, that this column is reluctant to add to the clamor. Nevertheless, there are some points in connection with this matter which seem worthy of comment.

For instance, it is of interest to point out that although the insurance stock market went off quite substantially it did not decline as much as might have been expected. As a matter of fact the uncertainties in the situation had already been discounted to some extent, as manifested in a sagging insurance stock market for several months, which was pointed out in this column a few weeks ago. Standard & Poor's index of fire insurance stocks was 114.5 on May 31, five days before the decision; on June 7 it was 111.3 and on June 14, 110.4, or approximately at the February 1943 level. The decline from 114.5 to 110.4 is 3.6%. This index, however, is a weekly index and thus straddles the low point in the recent decline which occurred on June 10. The true situation is better illustrated in the following tabulation which shows the actual prices of 37 individual fire and casualty insurance stocks for June 3, the Saturday before the decision, and for June 10, the low point. Since June 10 there has been some recovery as will be noted in the column dated June 15.

	Asked Price 6-3-44	6-10-44	Depreciation	Asked Price 6-15-44
Aetna	51¾	48¾	—5.8%	50½
Aetna Casualty	142½	136½	—4.2	137½
Agricultural	74½	74	— .7	75
American Alliance	22¼	21½	—3.4	22⅛
American Equitable	17⅜	17⅛	—1.4	17⅜
American Surety	60¾	58½	—3.7	59¼
Bank & Shippers	85½	82½	—3.5	82½
Boston	580	575	— .9	575
Continental	46½	43½	—6.5	42½
Fidelity & Dep.	150	145	—3.3	145
Fidelity-Phenix	50¼	48	—4.5	45½
Fire Association	64	61	—4.7	63
Firemen's Fund	87½	86	—1.7	86¾
Firemen's (N. J.)	13⅛	12⅜	—5.7	12⅝
Franklin	26¾	24¾	—7.5	25½
Glens Falls	44½	43	—3.4	43½
Globe & Rep.	9⅜	8½	—9.3	8⅝
Great American	29⅛	28¼	—3.0	28⅞
Hanover	28¾	27¼	—5.2	28
Hartford	102¾	97¼	—5.4	98½
Home	29⅛	28¼	—3.0	28⅝
I. N. A.	85	83¼	—2.1	84½
Maryland Casualty	7⅞	7⅜	—6.3	8
National Fire	57½	56¾	—1.3	58¾
National Union	181	176	—2.8	175
New Hampshire	47½	45¼	—4.7	44¾
N. Y. Fire	13⅞	13⅜	—3.6	13⅝
North River	23⅜	22	—5.9	22⅝
Northern	92	87	—5.4	90
Pacific Fire	105½	101½	—3.8	102½
Phoenix	82¾	78¼	—5.4	80¼
Prov. Wash.	34⅞	33⅞	—2.9	35⅛
St. Paul F. & M.	66¾	65¾	—1.5	66
Security	36¾	35⅞	—2.4	35⅞
Springfield F. & M.	121	119	—1.7	120
U. S. Fire	50½	49¼	—2.5	49½
Westchester	32⅛	31⅜	—2.3	31⅞
Average			—3.8%	

It is of interest to observe that since June 10 only four stocks have declined further, viz: Continental. Fidelity-Phenix, National Union and New Hampshire. On the other hand, Agricultural, National Fire and Providence Washington not only have recovered all lost ground but have moved up above their June 3 levels, while American Equitable has recovered its June 3 price. The other 28 stocks have regained a portion of their lost ground.

The decision of the Court was radical and upsetting, but after the first shock the market appears to have taken a reasonable and realistic attitude. The very fact that it was a minority of the Court which repudiated a 75 year old precedent and that vigorous dissension was voiced by three members, including Chief Justice Stone, may well result in Congress acting favorably on pending legislation which proposes to exempt insurance from the Federal Anti-trust laws. Meanwhile, however, the Court's decision stands, and the companies appear to be placed in the paradoxical position of being permitted by the states in which they operate to follow certain business practices which are prohibited by the Sherman Anti-Trust law. A practical way out of this dilemma will surely be found.

According to an Associated Press report a few days ago, a spokesman for the Justice Department said that the case pending against the South-Eastern Underwriters Association, its member companies and their executives, will go to trial. A reply to this may be found in a letter to Attorney-General Biddle by representative Dave E. Satterfield, Jr., of Virginia, in which he urges that the prosecution be held in abeyance until Congress has acted on pending legislation. Mr. Biddle, in a recent public statement said: "The Department of Justice realizes that the insurance companies will need to adjust their practices so as to accommodate themselves to the Supreme Court's decision, and will be guided by this consideration." All things considered, therefore, it sems reasonably certain that no precipitate action will be taken.

It is well to bear in mind that for many years insurance companies have operated and prospered under state control and regulation, and have learned to adjust themselves to varied, and sometimes, conflicting requirements. Furthermore, State control has tended to expand and become more exacting and onerous with the passage of years. Most of the rules and regulations set up by the States, however, have been in the public interest and have been so accepted by the industry which has, generally speaking, cooperated fully.

In the event that Federal regulation should supersede state regulation, there is not the slightest doubt but that the insurance companies could adjust themselves to the new conditions. In some respects such control might result in simplification and standardization, and thus some reduction in the large number of reports and statements now filed with the various states. Mr. Biddle asserted that the Justice Department "has no desire or purpose to break down state regulations". If this is true, then a system of dual regulation might have to be set up, in which connection it is important to know that such a system appears to work satisfactorily in Canada.

Wide open competition is unthinkable, and would probably result in the business gradually being absorbed by the financially strong and powerful companies and fleets, and the elimination of the smaller companies. By its very nature, insurance must be regulated by the Government, and whether this be state or Federal or both, makes relatively little difference so long as it is done intelligently and fairly.

Financial solvency, soundness and responsibility constitute the very heart of insurance, and certainly nothing will be done to jeopardize this vital factor. In this connection, therefore, it is pertinent to remember that even if developments result, as they may, in the lowering of premium rates, this will be but the continuation of a downward trend that has already persisted for more than twenty years. Furthermore, underwriting profits are no longer the prime source of net earnings, and have not been for many years, as the following figures for a group of 21 representative fire insurance companies show:—

Eighteen Years: 1925 to 1942	
Aggregate underwriting profits	$227,683,000
Aggregate net investment inc.	611,214,000
Total net operating profits	$838,897,000

Underwriting profits, it will be noted, represented but 27% of total net operating profits. The most important division of earnings, net investment income, would be relatively unaffected.

The insurance business is fundamental and indispensable. It has passed through many vicissitudes in its long history, and has weathered wars, panics, depressions and booms. Its management is experienced, versatile and vital and has demonstrated, again and again, its ability to meet new conditions and, simultaneously, to expand and progress. This process indubitably will continue.

The Securities Salesman's Corner

Fire Insurance Stocks When Offered To Provide A Monthly Income Are Interesting Sales Idea

The high quality rating, from an investment standpoint, that is accorded fire insurance stocks by those who have studied their various strong points is well known by most retail dealers in securities. Their long records of unbroken dividend payments year after year make one of the most impressive selling arguments of any class of securities for retail distribution. Their other talking points are so well known that few security dealers today cannot reel them off like the proverbial experts.

One of the best methods of presenting these attractive investment stocks is to select three companies that taken together, on a combined basis, pay some income every month. For instance, select three companies that pay quarterly dividends, one beginning in January, the second February, the third March. This provides an income during every month in the year.

Some attractive combinations can be offered to investors when it comes to selection of companies. An interesting mailing can be sent out, or an advertisement prepared, offering a monthly income on securities that have paid dividends regularly every year for 25, 50 or more years. Yields available on such combinations start around 4% and some will provide a return as high as 4½%.

There are several advantages in selling monthly income securities in package form especially from a sales and customer building viewpoint. If such a sale is properly presented on a "package" basis, the monthly income feature strongly emphasized, and the investment throughly explained to the customer THE POSSIBILITIES FOR RADIATION ARE EXCELLENT. There is nothing more satisfying to investors who are primarily dependent upon their income, than to make an investment which provides them with a check every month. Most certainly the high grade, old line fire insurance stocks are the medium with which to provide such a consistent income—their record is unmatched in this respect. Once clients begin to receive these checks they can be the source of radiation and recommendation to others. It is almost axiomatic that people who are buyers of securities primarily for income ALSO KNOW OTHERS IN THE SAME AGE GROUP AND WITH THE IDENTICAL INVESTMENT NEEDS AS THEIR OWN. This is where a real business can be developed.

Another feature that is especially helpful in meeting the requirements of almost every sized investment fund is that most fire insurance stocks can be purchased to fit available funds as low as $1,000. Some of our oldest and best known fire insurance stocks even sell below $10 per share, others with excellent standings and consistent dividend records for many years are available in the $20 and $30 price range. It is thereby possible to offer the investor with very limited funds the advantages of monthly income on investment that are primarily great investment funds, administered by experienced managements, under legal restrictions which have been developed over the past century, and by companies engaged in a business that is so essential to the continuance of modern economic intercourse, both domestic and foreign, that industry and commerce, as we know it today, could not exist without it.

Investment dealers who are looking for a sales idea that won't go out of date, that will give neither themselves or their clients any headaches, and who want a sure way to interest customers and make news friends, should try selling their investment, income minded customers MONTHLY INCOME through an investment in old line fire insurance stocks. There are many individuals who would perk up their ears at the thought of a monthly income to yield 4% on investments with the excellent record of these securities. The fact is that very few know about them—but they should be told.

Winners At Outing Of N. Y. Security Dealers

The following were the winners in the golf tournament held at the annual outing of the New York Security Dealers Association on June 15th:

President's Cup was won by Stanley Roggenburg of Roggenburg & Co., with a low gross of 78.

Governor's Cup was won by W. M. Rhone, a guest, with a low gross of 78.

Kickers' Prizes for members were won by K. C. M. Kearns, Kearns & Williams, first prize; Otto Berwald, Berwald & Co., second prize; Joseph Lann, M. S. Wien & Co., third prize.

Kickers' Prizes for guests were won by: John McLaughlin, McLaughlin, Baird & Reuss, first prize; Roger McMahon; and B. Benson.

The following prizes were donated:

Two traveling bags—Allen & Company;

Merchandise order on Rogers Peet—Amott, Baker & Co., Inc.;

Bottle of liquor—Bristol & Willett;

Merchandise order on Spalding—Buckley Brothers;

Two bottles of liquor—Ward & Company.

Cash donations totaling $170 were received from R. H. Johnson & Co.; Joyce, Kuehner & Co.; Luckhurst & Company, Inc.; David Morris & Co.; Roggenburg & Co.; Hart Smith & Company; Strauss Bros.; and M. S. Wien & Co.

John J. O'Kane, Jr. of John J. O'Kane & Co. was Chairman of the Outing Committee, Melville S. Wien, M. S. Wien & Co., and Hanns E. Kuehner of Joyce, Kuehner & Co., were members of the Prize Committee.

Photographs taken at the outing appear elsewhere in today's Chronicle.

Invasion Trends

(Continued from first page)

excellent facilities and were used by the Americans in World War I. Hence, our men are familiar with them. After certain beachheads are secured, it will be necessary to spend many weeks in getting supplies and men ashore before the real Berlin drive can be started. Of course, the Germans may be willing to easily give up Paris with the idea of saving their strength for resisting Allied occupation of the German Fatherland.

Is A Bullish or Bearish Position Justified?

In my talks with experts since the Invasion started, there seems to be two lines of thought which are quite different. Some feel that early Allied successes will bring about a "peace scare." This would be especially bearish on railroads, heavy industry and other war stocks; yet some market analysts are taking the opposite position. They are inclined to be bullish on everything whether the Allies are initially successful or meet with heavy reverses.

It may be that the pattern of this great Invasion will follow that set in the Italian Campaign. There it took months to land sufficient supplies and men, but once these were ashore progress has been most rapid. There will necessarily be many trial and error sorties in the Invasion plan. The markets took the initial news in their stride and in an optimistic manner. Naturally, the actual Invasion was discounted, but there was no way for the stock market to discount whether the initial move would be successful or not. Now, that we are over the first hurdle, the market must digest the first news, prepare itself for unforeseen contingencies and await the success or failure of the trial and error moves mentioned above. It may be some weeks before sufficient information is at hand to make any real forecasts.

Supply and Demand Continue to Function!

Without any qualifications, I can safely impress upon my readers at this time that prices of stocks, bonds, commodities or real estate will depend upon whether there is an excess of sellers or an excess of buyers. Irrespective of theories, or irrespective of precedents, and irrespective of wars, panics, politics or administration controls, when there are more buyers for stocks, bonds, commodities and real estate than there are sellers, then prices will go up; conversely, when there are more sellers than buyers prices go down.

There is, of course, one other factor in this situation, namely, the position which results when buyers and sellers are about equal. In such a case, neither Invasion nor any other factor would materially affect prices. Under this condition, however, the tendency would be for certain selected stocks to go forward. Bonds would remain about as they are. Commodities would decline and productive real estate would continue its upward move. The demand for residential real estate, I should also expect to continue in volume. Personally, for the time being, I am not inclined to see any great change one way or the other, although I continue extremely optimistic on the long-pull outlook for all except high-grade bonds.

Post-War Possibilities

Du Mont Laboratories offer interesting post-war possibilities according to a circular on the situation issued by J. F. Reilly & Co., 111 Broadway, New York City. Copies of this circular and also comprehensive releases on Moxie Co. and Majestic Radio may be had from J. F. Reilly & Co. upon request.

Public Utility Securities

Consolidated Edison

Consolidated Edison, highest yielding of the old-line utility stocks (over 7% at the current price of 22½) now appears to be on slightly firmer ground with respect to the $1.60 dividend rate. In the 12 months ended March 31, parent company earnings were $1.55 and consolidated profits $1.66 per share. This would be considered "skating on thin ice" except for the company's healthy cash position and large earned surplus. Since October 1, long-term debt has been reduced $41,000,000, while cash declined only $8,000,000, which reflects present low construction requirements.

As with most other utilities, Edison's chief worry is over Federal taxes. Thus far the company has avoided the excess profits bracket, due to special charge-offs in its Treasury returns; moreover, it earns a low percentage return on book value, according to published figures. Late last year it became known that the company was running out of "carry-over" items which thus far had permitted it to keep out of the EPT bracket. It was estimated that earnings might perhaps drop to around the $1.40 level. A decline in the dividend rate to a "safe" figure, say around $1.35, was considered possible. The common stock dropped to around 21½—which price, on the basis of a $1.35 dividend rate, would yield 6.3%, or about the "going rate" for utility stocks.

Edison supplements its annual report with an interim publication entitled "News and Views for Stockholders." In the June 15th issue, President Tapscott stated: "It may well be that the System Companies will be liable for some excess profits tax for the taxable year 1944. The only word of comfort that I can give the stockholders on this is that, so far as can presently be estimated, any payments of excess profits taxes for this year will be relatively insignificant in comparison with the total tax burdens of the System Companies."

No excess profits taxes appeared in the March 31st statement and with the income tax rate unchanged, it appears likely that there will be no heavy increase in the tax burden. Hence the outlook for continuance of the 40¢ quarterly dividend rate (through this year at least) now seems more hopeful, though Mr. Tapscott refused to make any prediction, on the ground that conditions are changing rapidly.

A favorable management factor is the election of Hudson R. Searing as Executive Vice-President. However, as Mr. Searing has been Vice-President in charge of operations for several years, his promotion may not mean any substantial change in operating policies.

The company expects to recover in 1944 about one-third of the $10,000,000 annual loss of revenues due to the dimout and other wartime restrictions — now relaxed. However, no mention was made in the letter to stockholders of the probable loss of revenues resulting from the gradual closing down of the huge aluminum plant in Maspeth, Queens Borough. The huge amount of electricity sold to this plant in the 12 months ended March 31 is doubtless largely responsible for the increase of over $16,000,000 in electric revenues. To be sure the margin of profit was very small in the aluminum business, but nevertheless the company may feel the loss in the coming months (the Federal income tax will absorb 40% of any decline in net).

President Tapscott is worried about some new rules on depreciation instituted by the State Public Service Commission last November, but apparently not yet actually in effect. Many utility companies objected to the rules and the commission is reconsidering the matter. These amendments to the system of accounts provide for charging part of the loss resulting from property retirements to income or surplus rather than to the depreciation reserve ostensibly set up for that purpose. Just how this would work out is difficult to predict, but the Edison management is worried over "possible financial consequences."

There is also the possibility that at some time the commission may require a substantial increase in the depreciation reserve, as it is trying to do with the Niagara Hudson system. Also there is the question of plant write-offs. The Edison balance sheet is well bolstered to stand all such adjustments, however, unless the commission should "cut to the bone."

While the outlook for dividend payments at the old rate has brightened slightly, Edison still isn't "out of the woods."

Post-War Policies

(Continued from page 2578)

didn't know very much.

If Mr. Brisbane's arithmetic is correct then there are only five men alive who know much about money, and by the law of averages I am assuming that none of that five is in this audience. Thus reassured, I may safely proceed to interview myself on the subject of post-war money policies.

And I do so, speaking seriously, because I believe that the monetary policies adopted for the post-war world are a matter of very deep concern to you and to me and to every American citizen. Wars and the consequences of war are paid for by the Government Bonds that you buy and the taxes that you pay. We are all very conscious of our participation in bond campaigns and I have but to remind you of that fact in urging whole-hearted participation in the Fifth War Loan Drive now starting. Regardless of what progress may be made in the solution of post-war difficulties we must all be prepared to buy more bonds and in making this investment I urge you to buy with the intention and plan of holding them to maturity and not listen to the fanciful suggestion that directly the fighting stops you cash them in and spend the money on things you have been doing without. These bonds are designed to be held to maturity and to the extent that they are not held they will constitute a continuing problem which must result in continued high taxes and perennial new issues of bonds.

We must be prepared also to continue paying taxes not only those we are directly conscious of, like taxes on our income, but the invisible taxes on every article we buy and every service we receive. This is our task.

Apart from bonds and taxes, I would like to discuss the other pertinent questions in the mind of our typical American citizen. Public opinion surveys show that after wondering when the war will end he is thinking principally about three things. First, am I going to have a job after the war? Second, will the money in which I am paid have as much purchasing power as today's dollar? And, finally, will my children have to go to war all over again?

Stated in one-word language, the average American fears unemployment, inflation and another war.

It would be rash, under existing circumstances, for anyone to attempt a categorical answer to these questions. I have found it prudent in my own personal affairs never to attempt a forecast beyond the probabilities indicated by factors already definitely known, and I will say to you that, so far as I can see, and judging from anything anyone now knows, it can safely be said that even after several million women and children have been dropped from payrolls, a great many of the 53 million now employed must accept temporary idleness when 11 million now in service are assimilated into industry.

Conferences of experts and officials will doubtless devise ways and means to find work for many, but much of the increased productive machinery created by the exigencies of war is likely to be idle.

In spite of pent-up demands to be satisfied normal business alone cannot give full employment to 65 million people now in industry, on government payroll and in the services.

The output of our total plant capacity—which capacity enabled us to double the entire output of the Axis—is much more than the daily needs our population will require three to four years after the war. Even civilian output increased 15% during the war.

The volume of business we are doing today is creating a national income of $147 billion.

The highest national income in peacetime history was approximately $82 billion in 1929, only to decline with unprecedented and disastrous speed to $46 billion in 1932-33 — actually down to the level of 1916, the year before we entered the First World War.

In the eight years immediately preceding 1940 it never exceeded $72 billion and not until stimulated by defense and war preparation was the 1929 peak exceeded, which occurred in 1941.

It is obvious that we must do a business in this country capable of producing an annual national income of far in excess of normal if the 60 odd million employees are to have jobs. No one can now assure you business will be good continuously. Indeed no one can be sure how much business will drop from today's $147 billion during the five or six years following the war's conclusion. We saw it drop 44% in three years following the 1929 splurge.

Incidentally, if business were to drop to what was boom proportions in 1929 ($82 billion) it would mean depression today.

I see nothing to be gained by encouraging baseless hopes. I know that pledges are being given that employment shall be provided for everybody and maybe the yearners and planners who retail that kind of optimism know how it can be done. It clearly cannot be done by the government at the expense of the people through unlimited expansion of public debt. Our debt is now $196 billion and on the completion of this drive just started it will be well in excess of $210 billion. Conservatively it is being forecast to land somewhere between $250 billion and $300 billion before the war ends and, in fact, Congress on May 31 last expanded the legal debt limit to $260 billion. Frankly, I cannot comprehend the implications of such staggering totals. I know what a million dollars is and what it means and even what it takes to get it, but frankly I am lost in awe when that yardstick is multiplied by thousands.

I know all the spurious generalities and the loose talk that is indulged in about debt. "The size of the national debt" one of these planners recently said, "is of no consequence. After all, we just owe it to ourselves." I gave up trying to understand that one, except that I know perfectly well that when Government Bonds are outstanding in anyone's hands, American citizens or foreigners, a debt and an interest charge has been created which must be met. You, as a taxpayer, must furnish the means with which your government meets its obligations. The transfer of funds creates less friction when distributed at home instead of abroad but in no other way does the fact that the national debt is owned by American citizens reduce the burden.

Furthermore, no government can guarantee full employment if such must depend upon unlimited expansion of the public debt.

Experience everywhere has shown that even industrialized nations cannot long endure an annual fixed charge in excess of 25% of national income. The total budgetary expenditures of this country with $250 billion net debt, and exclusive of debt retirement but including care of veterans we are fortunate enough to welcome home, will exceed $23 billion, a sum which is almost 30% of any national income enjoyed in any but war stimulated years.

Sensibly we must conclude, therefore, that there is no promise under normal peacetime conditions of a balanced budget and a national income safely permitting the government to find work for all the 30 million people whom former President Hoover, for instance, predicts must be demobilized from the war effort.

This debt and service burden is a contributing factor to the answer to our second question, namely, for those of us who will have work in the post-war world, what will the money with which our wages are paid be worth? And here you will say I am raising up the ugly head of inflation. Unfortunately for those who would enjoy what is called "a free ride" and "a silk shirt boom" such as followed 1918, I am frankly, with what knowledge I possess and with the facts and statistics that are available, unable to persuade myself that inflation is as real a danger as deflation. I appreciate that there is a tremendous purchasing power demand for goods that are now under government quota control and that once those controls are lifted the would-be purchasers have at hand the effective means of paying for what they want in the shape of enormous savings.

I would remind you, however, first, we are officially told that government controls are not going to be abandoned on most of the manufactured articles going into civilian consumption and, secondly, that no one knows what the frame of mind of the public will be, which during the progress of war with swollen war wages has seen fit to put so large a percentage of their earnings into savings and into Government Bonds. I am familiar with the spending spree that followed the First World War, but the attitude of mind which caused the individual civilian to spend his money recklessly then was generated by factors not in the present situation. For one thing, bank deposits doubled in two years. Of the $100 billion estimated liquid assets in the hands of the public today bank deposits are only 25% larger than a few years ago. European currency fluctuations scared our people into spending 25 years ago, whereas today steps are being taken as indicated by the forthcoming Bretton Woods monetary conference to forestall such possibilities.

Finally, we must recognize the fact that after five years of defense and war production, supplies of many raw materials actually exist in surplus creating a problem of distribution, and some agricultural items now seem to be unnecessarily rationed.

In answer to the question of what kind of commodity dollar are we going to have after the war, I say with some confidence that it will buy for you just as many of the necessities of life as it does today, because I fully expect that government controls and priorities are not going to be abandoned for some time.

I take it for granted also that our currency dollar is going to be good,—that the gold content of the dollar and its value in foreign exchange is not going to be changed. The traditional American policy is for stabilized currency. That was true, for instance, in 1862 when Abraham Lincoln in his second message to Congress said, "Fluctuations in value of currency are always injurious and to reduce these fluctuations to the lowest possible point will always be a leading purpose in wise legislation."

It was true on July 1, 1933 when President Franklin Roosevelt said that he planned to establish a dollar that would have the same purchasing power from generation to generation.

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Sound American Policy

(Continued from first page)

terminative of what final American policy shall be.

This evening, I intend to speak to Americans about American policies—foreign and domestic. I fully realize my shortcoming in this field—I am not a silk-hatted, spat-wearing diplomat; I do not speak a half dozen foreign tongues; I do not agree that fascism is good some places and bad in others, or that communism is fine when its adherents are our friends and dangerous only when they are our enemies. I think both are bad for the peoples' liberties and freedoms in any form wherever they are found. I am just a plain American citizen whose ancestors have lived here for more than 300 years and I confess that in my old fashioned way I believe that this country and its government and institutions are better than any other on earth. I shall try to tell you how I see the problems that now face the American people.

You people here, of course, are vitally interested in American foreign policy because today our domestic policies are so dependent upon our present and future foreign policies. Our's is the greatest industrial nation and I understand that your organization represents those industrial interests in our land who are concerned with selling American goods and services. I have read, with a great deal of interest, your "Declaration of Principles." I doubt if there can be any basic disagreement with its four major tenets. But the problems of unfair competition, monetary policy, international exchange stability, the provisions of the Reciprocal Trade Agreements Act, or Tariff rates—all sink into insignificance compared with what we do in the matter of a foreign policy. These matters can be adjusted to the betterment of national welfare when a secure and stable peace comes to the world; without that they are merely words on the sands of a beach washed away with each rise of the tide.

Since America's entry into the war, I have not participated in a great deal of public speaking. I have felt that the first job was to win the war—to win it fast with the least expenditure of life and treasure.

It is time that the United Nations did something definite and concrete in the way of hastening the end of the war by diplomatic as well as military measures, and something definite and concrete in the way of planning for the peace. And if the United Nations cannot at the moment reach complete agreement, that fact should not deter our Nation from itself doing something.

The foreign policy of a nation is dictated and motivated by the national aims of that state. It is relatively clear why Germany fights, or England fights, or Russia fights, or why Poland and Finland and Greece fought. What are we fighting for? It is not enough to answer — kill or be killed. That, like all half-truths, is misleading. We stultify our national heritage if we regard this merely as a war of survival. We betray our sacred honor and the lives of thousands of our countrymen if we admit for one moment that our objective is solely to whip the aggressor. That theory leads to the conclusion that wars are inevitable. They may be—none of us can be certain about that—but surely the military subjugation of the enemy must be only a means to an end if this Nation's principles and objectives are not to become suspected all over the world.

Are we spilling blood of American boys up and down Europe to crush national socialism, or monarchism, or limited democracy and pave the way for establishment of communism? Have we changed our role from that of protector of the weak to destroyer of minorities? What do we demand of the enemy before we stop killing them? What kind of governments do we want in Europe and Asia after the war? Are we to continue to fight interminably exhausting our financial and economic and natural resources, and even more important, the flower of our young manhood until we have become a nation of women, old men and cripples, bankrupt in men and materials? Isn't it time that we can do as Pope Pius said last week—"It (is) of the greatest importance that this fear (of a war of extermination) should give way to a well-founded expectation of honorable solutions, solutions that are not ephemeral or carry the germs of fresh turmoil and dangers to peace, but are true and durable; solutions that start from the principle that wars, today, no less than in the past, cannot easily be laid to the account of peoples, as such?"

These questions bring sharply into focus, it seems to me, the fact that we have failed to exploit a means of speeding the successful conclusion of the war. It is the absence of a simple, clearly understandable policy of what we fight for—what are our peace aims. Our war aims are clear enough—to destroy the enemy's will to resist—to uproot Hitlerism. Fears exist that a new dictatorship will replace the old. What every one wants is the disappearance of all forms of autocracy. That is the earnest prayer of distressed and police-ridden Europe. It is the prayer of the people of the United States as well. But it must be evident that there is no coordination between these war aims and the peace aims—and that lack of coordination may cost this Nation and our Allies precious lives that need not be lost.

It must be realized, of course, that it is no easy thing to bring quickly into being agreements on such major matters as the future fate of a conquered enemy. I am not unmindful that the leaders of the Allied governments face tremendous difficulties in solving mutually acceptable compromises. But throughout the world, among friendly and enemy nations alike, it is the United States of America which is regarded as the leader, the pace-setter, the arbiter, and above all, the friend of the downtrodden and the enslaved. We have a duty, therefore, I believe, to speak in concert with our Allies if possible—alone if necessary—but to speak forcefully and unequivocally on what our policies are and will be for victor and vanquished alike.

Regardless of the outcome of the war, there still will be German people in Europe, probably a German state. The war is not going to bring death to 60,000,000 Germans. A very substantial number of that German people are probably no more in love with fascism than we are. The last free elections in Germany proved that conclusively and everything that Hitler has done since has convinced some 20,000,000 Germans that he has brought them to disaster. Just as in France, Poland, Italy, Rumania and all the countries in Europe—there is doubt and worry and wonder as to their postwar government—so in Germany there must be ten times that sort of speculation. Will there be a nation—who will govern it—what territories will it comprise—who will control its political and economic and social policies—what will be expected of the people after the war? These are only a few of the questions that come instantly to mind. And from the Allies, the liberators from the yoke of fascism, is heard two words—unconditional surrender. Beyond that, ominous silence. What choice do many of these enslaved people have under those circumstances, except to fight on—bitterly and endlessly.

And what will happen in Europe the moment hostilities cease? Why, there will be a vacuum—the most tremendous vacuum in government in all recorded history. Most governments in Europe are puppets which will fall with Hitler, and even the others will totter in the political convulsions that will ensue. What an opportunity for power-hungry men, either within those lands or from other lands, to seize control! Under such a situation, war will never end; there will be revolution after revolution; the life and treasure we have expended so fulsomely to end dictatorship may well result in the creation of a series of dictators all over Europe, if for no other reason than to bring stability.

That is a result that we must at all costs avoid. We can do much to avert its initial coming into being by taking action now which will make clear to all the people of the world—the occupied lands, the enemy himself—what we propose to do. And the first immediate effect of any such action will be a definite weakening of the enemy's will to resist, despite all of Hitler's and Goebbel's propaganda.

That is the first problem. Now, what about the second—what do we expect in Europe—what kind of governments can reasonably be established with a chance of successful survival? It is not a question of what we desire—we may desire much, but we must face practical realities of what is possible, what will work in that conflicting religious, social, political and economic cauldron that is Europe.

It must be abundantly clear that, as Mr. Sumner Welles has said—the future of Europe is something which affects the future of every country. And it also follows that to bring stability continental Europe must be represented in the decisions which affect the future of Europe.

What we in this country are most interested in is the establishment of some kind of world order in which it will be difficult—I do not say "impossible" because nothing is impossible—the establishment of a world order in which it will be difficult for nations to become embroiled in warfare with each other. Today the United States still is the most powerful nation on earth—militaristically, economically, financially. Six months ago we had the unquestioned power and prestige to formulate the kind of peace program which we believed would stabilize Europe. Some of that authority and prestige has been frittered away, but it is not yet too late for this nation to use its authority to convince our Allies of the kind of a peace we want.

There are honest and conscientious people here and abroad who believe that such a world order is possible only through a single world government. But I do not believe that the American people will yield its sovereign right as a free people in these United States. I do not believe we want to be ruled, directly or indirectly, by any person, or any council, or any world government not under our direct control. The price we paid for our own freedom was too dear for that. That idea—it seems evident now, from the recent statements and views of our highest officials—has died aborning.

There are also other honest and conscientious people here and abroad who believe that a stable world order that will keep us out of future wars is possible only through a military alliance of the larger allied nations — Britain, Russia, possibly China, and the United States. But alliances of major powers in all history, and particularly since the Holy Alliance, clearly negates any such contention. Alliances, if history is any judge, tend rather to breed wars. Moreover, an alliance is bound inevitably to involve us more and more deeply in European and Asiatic power politics.

No, the answer in my opinion, is a federation of European States, a sort of United States of Europe. It is an answer that is buttressed by experience both in the United States and Europe; it is an answer that is practical and workable for Europe and holds out the best guarantee against future involvement in European affairs by this Republic.

Let us explore this idea of an economic federation of Europe—this United States of Europe; let us understand why it is necessary, and why it is more likely to work than any other plan yet considered.

When I returned from a European trip in 1923, I urged that we should take what action we could to help establish a European federation patterned after our own government. I thought then that it was an original idea—I learned later that many statesmen had advocated it, notably Briand of France. Today I find myself in the company of such men as Winston Churchill, Anthony Eden, Clement Atlee, and Sir Archibald Sinclair, all of whom both before and since the war have strongly urged the creation of a federated European State.

Before we look at Europe, let us consider these United States. What do you suppose would have been our history if each of our 48 States maintained exclusive sovereignty with the tariff barriers and business restrictions that flow from sovereignty. We have here the peoples of all Europe; we have customs, social problems and ideas, economic and industrial situations varying from State to State, and certainly from region to region. Yet, we have made a success of union largely because the social, political and economic problems are considered and treated as a national problem.

Basically the problem in Europe is not greatly different. The geographical area is far smaller; the agricultural and industrial problems are more homogenous; even the ethnic and religious differences are no greater than in our own country.

I see here in America the faces of people from all these European countries. I cannot believe that only the good people from those countries have come here and only the bad remain there. I believe these people can get along with each other as well on European soil as they do on American soil. I want to see them try to do so. I want to help them do so for the good of the peoples of Europe and for the good of the peoples of America.

I said a moment ago that we had experience in Europe as well as in the United States to guide us. The future organization of Europe could well be patterned after that of Switzerland. It is well to understand this seeming miracle—a nation made up of 25 little States with different nationalities, languages, traditions, customs, and

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Sound American Policy

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religions united into a pacific and democratic union in the very heart of this boiling and exploding Europe.

Like Switzerland, there is no basic reason why the countries of continental Europe cannot be united democratically into a single federation free of tariff barriers—a single political and economic entity. I have said this before and I shall say it again—the stabilizing effect upon a world that would be created by a great free trade area in Europe as a counterpart to the great free trade area of our own country cannot be over-emphasized.

Such a federalized Europe would negate the possibility of a new and resurgent Germany threatening the weaker neighboring States or even obtaining hegemony in Europe. In such a State, Germans would make up scarcely 20% of the total voting population; within it the vast majority of non-German Europeans would be an effective democratic check against Prussian or Junker control of national policies. Moreover, neither the army, the armament industry, the foreign policy, the currency, nor the national economy would be Germany's nor that of any other single European State. Germany, or any other European State, would cease to be a threat to the peace and security of the continent and to the world.

Men of great vision have dreamed for years of collaboration between nations—of peaceful adjudications of their differences. How better can this be achieved than through the creation of a great federalized State within Europe which may bring peace to lands which have been soaked for centuries with the blood of mankind in futile wars? When the European State reaches stability and strength and experience, what possibilities will then ensue for the formation of an international organization of nations juridically able to maintain world peace simply because the hothouse of most wars will have been eliminated!

The longer we wait to openly espouse the idea of such a democratic federation or united States, the more difficult and dangerous will the situation become. Already there are evidences that this policy of "wait and see" will bring us into troubled waters by war's end. While we "wait and see," Russia has not remained idle. I should, perhaps, interpolate here, that I am not criticizing Russia or its leaders. They are pursuing policies which they deem best for the welfare of the Soviet Union. From a purely Russian standpoint, its policy of a weak and disunited Europe with many of its States leaning heavily on the Soviet for economic and military support is readily justified. What Russia's policy will finally be—whether a Soviet-dominated federation, or an alliance of the border States with Russia, or complete integration within the Soviet of many of the smaller nations will depend largely upon whether we have the power we now have to bring about a peace that is in the interest of our people.

Russia, I believe, can be "sold" now on the idea of an economic European federation if it can be demonstrated that neither Britain nor the United States will dominate such a federation, and that it can be so constituted that a resurgent Germany will not be able to use it to build up a military power strong enough to threaten Russia.

Britain's problem is not dissimilar to that of Russia's, although in England there is already a substantial body of public opinion which favors a sort of United States of Europe. Britain, like Russia, throughout her history has been threatened by continental nations. And throughout history she has used the balance of power and disunity in Europe to save her. In Britain, like in the United States, there are men who oppose the impairment of British sovereignty by membership in a European union. The idea of the British Parliament being under the direction of a majority of continental nations is repugnant to them. And there is the even more ominous argument that such an involvement would lead to dismemberment of the Empire, simply because Canada, Australia, New Zealand and South Africa are unwilling to bind themselves to the European continent. These men in Britain are not unwilling, however, to sponsor a European federation which would not include Britain. There are, of course, others in Britain who fear the future with a united Europe and prefer a post-war Europe divided by a new balance of power. It is this segment of British public opinion which, if followed, must inevitably lead to a clash with Russia over the extent of the balance of power to be exercised by these two great States.

But there is hope in Britain for the more realistic and practical course. A year before the outbreak of the war, Churchill wrote:

"Why should Europe fear unity? As well might a man fear his own body. . . . I believe that Europe will be driven, sooner or later, to question the monstrous absurdity of its own organization. . . . The conception of a United States of Europe is right. Every step taken to that end which appeases the obsolete hatreds and vanished oppressions, which makes easier the traffic and reciprocal services of Europe, which encourages its nations to lay aside their threatening arms or precautionary panoply, is good in itself, is good for them and good for all."

Mr. Atlee, leader of the Labor party, has said that "Europe must federate or perish!"

It does not take a prophet to see that the situation being what it is in Europe, Britain cannot go it alone. Mr. Churchill made this clear when he said, speaking of the idea of a European federation — "All this will, I believe, be found to harmonize with the high permanent interests of Britain, the United States and Russia."

Unless the United States takes an active and forthright part in pushing the idea of a democratic union of Europe, we face at the end of the war, what will amount to a partition of the continent into British and Russian spheres of influence.

Is it so difficult to realize what a return to this balance of power means? Isn't it clear that regardless of Germany's military defeat, she will have won the war politically! For it must be plain that both Britain and Russia will woo the new Germany in an effort to keep her out of the other's sphere of influence. In effect, Germany will hold the balance of power. Am I conjuring up spooks and goblins? Well then, has not this bidding for Germany's favor already begun? How interpret Russia's "Free German" Committee already functioning in Moscow? How interpret the shrewd Russian propaganda which tells the German people that Russia does not seek the dismemberment of the German Reich? How far and how long can Britain remain quiet and not make counter-bids unless a definite European policy is decided upon now?

Do you believe that the American people are fighting the war for a new balance of power in Europe? Do you believe the American people are fighting the war to restore rubber, oil, tin and copra exploitations to a few individuals who have become members of the peerage through use of slave labor? Do you believe that the American people are fighting the war to establish communism in Yugoslavia or the other Balkan States? Do you believe the American people are fighting the war to give Russia a slice of Finland? Do you believe the American people are fighting the war to give trucks and tanks and railroads and airplanes to one nation so that it, in turn, can give them to another nation to build good will between these second and third recipients of our substance? Do you believe that the American people are fighting the war to wash every coral beach in the Pacific with their sons' blood for the right in the post-war world to pay rent for the use of airfields on such islands? Isn't it a sad commentary on affairs when in this democratic Republic the people do not know their own country's foreign policy?

War, it has been said, is but an instrument of foreign policy. Therefore, when foreign policy loses direction, war loses its meaning. The contrasts between the powerful military might of Britain and the United States and their unimpressive political effort, between their military resolution and their political irresolution are significant. Both here and in England people are asking—"What is the war about?" To defeat the Germans? Of course—that is our immediate objective. But that alone is not enough. The defeat of the foe is a necessity, but something far more fundamental must be accomplished, for the security, the well-being, the honor, prestige and principles of this Nation are at stake.

Any consideration of foreign policy and the stabilization of Europe to prevent future wars must necessarily include a consideration of our domestic post-war problems. They will be many and they will require the best efforts of every thinking American lest we lose here in this country the freedom, the economic security, the liberty, and the kind of government we are fighting for.

If it is sound judgment in time of peace to prepare for war, it is equally good sense in time of war to prepare for peace. We have much to learn from Britain on this score—the English are not idle. Even in the darkest days of the London blitz, English merchants and exporters continued zealously to guard their markets. Nor have they failed to take advantage of every opportunity since to prepare the way for British trade in the post-war world.

What have we done? Our Reciprocal Trade Agreements Act is still law. We are continuing to foster a "good neighbor" policy in Latin and South America. I sometimes have grave doubts of the degree of success of these programs to date. This may well be due to lack of proper administration or to the exigencies of war.

But it seems to me that the situation which will face us economically in the post-war world will be vastly more complicated than before the war while the policies and the plans which guide us are of a pre-war vintage.

It may be well to examine briefly the facts that have added to the complexity of the economic position in which the United States will find itself in the post-war era. For the past generation United States exports, expressed as a percentage of national income, have progressively decreased. Only during periods of war, or reckless foreign loans, have exports reached relatively high figures. But in many foreign countries exports constitute as much as 40% of their national income. It is obvious, therefore, why such countries seek to broaden their markets by every means including propaganda directed against all American tariffs. It may not be realized, but it is a fact nevertheless, that in the pre-war period United States tariffs were **on the average**—and I desire to emphasize the word "average"—among the lowest of the major exporting and importing countries. I have in mind, of course, that the word "tariffs" includes such devices as quotas, exchange controls and embargoes.

In recent months this propaganda stemming from abroad and echoed here for the elimination of tariffs has been replete with the words "equal" and "free" access to raw materials by all nations. Frankly, I do not know, and have not been able to learn, just what is meant by this "equal-access-to-raw-materials."

Again we hear some of our super international "do-gooders" say that because we are — they should say we were—the richest nation in the world we should enter into some kind of a "share the wealth" agreement with the other countries of the world. We should lend-lease — never to be returned — our manufactured goods as well as our raw materials.

Our country has about 6% of the world's population but in normal times possesses and produces about one-third of the world's income. Even if we were to re-distribute our wealth and our income on a come-one, come-all basis, the percentage increase for the remaining 94% of the world's population would be fractional. And what would happen to our own standard of living! I am not ashamed to argue that we owe our first duty to our own people—although it has become fashionable in some quarters to deprecate such a philosophy.

I fail to understand these men who on the one hand openly admire and praise Stalin for looking out for Soviet Russia first, and regard Churchill as the world's foremost figure because he says plainly that he has not become the king's first minister to dismember the empire and on the other hand sneer at those whose primary concern is the wellbeing of their fellow Americans. To me, it is self-evident that if we reduce living standards appreciably here, we jeopardize not only the national wellbeing of our population—but bankrupt our own government. I should like to impress upon you as forcibly as I can that dictators are but the trustees of bankrupt nations.

In analyzing this problem we must recognize that we already have owed to us some 30 billion dollars worth of reciprocal lend-lease, if the original understandings for repayment in "kind" are honored: we possess the bulk of the world's merchant shipping. Until recent years our greatest imports in value were such things as silk, rubber, sugar, wood pulp, and the like. We have now developed nylon, out of coal, air and water — which even before our entrance into the war was threatening to displace silk almost completely. And there are many other competing fibers of a more or less similar sort, waiting to find their way into the market. The cost of nylon is, for most purposes, well below that of the natural imported silk and this cost is continually declining. Never again will the American consumer have to pay five dollars or six dollars a pound for silk or its equivalent. Some other products that have also felt the hand of science are — newsprint, wool, rayon, vegetable oils, copper, aluminum and the even lighter magnesium metals. Laminated wood, tin, lacquers, plastics, dehydrated and frozen foods, drugs and synthetic products of all kinds. Never again should there be great fluctuations in the price of rubber. Whether or not the United States continues to import a certain quantity of crude rubber, the very fact that we have the artificial product which can be made at a competitive price, will put a ceiling on the price that can be charged for the crude. Thus the American manufacturer will be saved the losses and grief arising from speculation in vast inventories at rapidly fluctuating prices, and the American consumer will get his rubber tires at a price which can largely be predetermined. We used to think it impossible, because of the higher labor costs, to grow great quantities of beet sugar in this country. However, recent developments in machinery and technique have more than cut in two the labor cost of producing beet sugar, and only a beginning has been made.

A third factor involves the extent of our foreign trade. A recent careful examination of all imports into the United States during the year 1939, which were of an annual value exceeding ten million dollars leads to some conclusions which may surprise the uninformed. It appears that such progress has already been made that, if it were necessary, the United States could get along very comfortably under its own steam, importing not more than one-fourth or one-fifth as much in value as it actually imported in the year 1939. Under urgent war conditions, the figure of necessary imports could even be cut to a substantially lower point, provided we were importing only for the purpose of taking care of ourselves, and not for lend-leasing to the rest of the world.

I am not recommending as a policy, that the United States try to restrict its imports in this manner. I am merely stating that all the figures and facts, when properly analyzed, indicate that in normal times the rest of the world is not likely to have a great supply of commodities which we urgently need, and which could be counted upon to be used in payment for heavy exports from the United States.

These, then, are facts which would seem to compel a nationalistic self-sufficient economic policy for the United States. Added to them is a sharply evident desire on the part of the American people to cease all squandering of our money and natural resources.

On the other hand, do we want to revert to the policy of China and Japan prior to the 19th Century when a commercial contact with the outside world was forbidden? The result of that policy was ruinous to their people. It held those countries to a medieval economy while the rest of the world progressed through the industrial revolution into the machine age.

It would also seem desirable to have sufficient competition from foreign sources to insure at all times reasonable prices on all commodities for our consumers and insure efficient operation of our domestic production. Nor should it be forgotten that our merchant marine will be worthless without a flourishing foreign trade.

It is therefore imperative, it seems to me, that we avoid extremes. Let us exercise study, deliberation and caution in arriving at conclusions. Americans have never lacked in initiative or enterprise. If these are coupled with careful analysis plus a continued investigation of the facts not only by our Government but by each individual company, I have no fear of the outcome.

Our boys who are scattered throughout the world are returning and will return with first-hand knowledge of every country on the globe. This information alone will be invaluable. Armed with complete data and exercising the cautious courage which is attributed to all Yankees, we can follow victory at arms with victory at home.

Mallory Interesting

P. R. Mallory & Co., Inc., offers an interesting situation, according to an analysis prepared by Steiner, Rouse & Co., 25 Broad St., New York City, members of the New York Stock Exchange. Copies of this analysis may be had from Steiner, Rouse & Co. upon request.

What Will Come Out Of United Nations' Monetary Conference?

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perience in the fields of international exchange and finance.

The American delegation will include Secretary Morgenthau, head of the delegation; Dr. Harry White, monetary adviser to Secretary Morgenthau; Senator Robert A. Taft; Senator Robert F. Wagner; Edward E. Brown, President of the First National Bank of Chicago; Congressman Brent Spence of Kentucky, Chairman of the House Banking and Currency Committee; Congressman Jesse P. Wolcott of Michigan, ranking minority member of that Committee, Dean Acheson, Assistant Secretary of State; Marriner S. Eccles, Chairman of the Board of Governors of the Federal Reserve System; Fred Vinson, Director of Economic Stabilization, and Dr. Mabel Newcomer of Vassar College, one of the three authors of the Treasury's report on Inter-Governmental Fiscal Relations.

While no one will deny that we lack the experience and knowledge in international exchange and finance for which the British are justly famous as a result of their long history as international bankers for the world, there are many outstanding American names in whom we would have confidence. To mention only a few of those names who are qualified, but conspicuous by their absence from this conference one might suggest Fred I. Kent, famous foreign Exchange Banker; Bernard Baruch, statesman, economist and brilliant adviser on both domestic and foreign affairs; Winthrop W. Aldrich, skilled and experienced banker; Leon Fraser, an experienced international banker; and B. M. Anderson, an able student of money and foreign exchange. But be the representation as it may, what may be expected to come out of this conference?

Dollars Versus Pounds

Will an agreement upon a world currency come out of the conference? And what will that world currency be, dollars, pounds, or some new name convertible into both dollars and pounds at the present rate of exchange, or at some new agreed on rate, or will the rate be left free subject to the political management of each country? This seems the heart of the problem. But the complexities are varied and multiple, and far transcend these simple questions or the scope of many large treatises on foreign exchange and international trade.

Some of the Complexities

What is to be the price of gold in terms of dollars, sterling or any other unit into which these are convertible? The world now has about 50% more gold in quantity than at the end of World War I. Then, in addition to the increase in the quantity of gold of 50%, the price of gold has been marked up in terms of paper money in the United States 40%, and while no legal action has been taken the price of gold has been marked up more than 40% throughout the British Empire, while in many other parts of the world the price of gold has risen from 100 to many thousands of percent over the price at the end of World War I. In the meantime price levels have changed, costs have changed, the standard of living has changed, debtor obligations and taxes have multiplied several times in every country in the world. Can any human mind conceive of a price of gold which will be a common denominator to all these myriads of changes without too much friction? What priced monetary standard will the rest of the world be able to accept and conform to in adjusting these complex monetary changes and relationships? Monetary parities are thoroughly distorted and any attempt to arrive at a practical equilibrium will require not only a thorough analysis of the many complex differences and problems but a long period of cooperative give and take in adjustments with a willingness to make some sacrifices on the part of every country. In thinking this problem through it seems that each country must work out its own unit of currency and its standard, and if this is done with the attitude of solving its own economic problem for its own best interest the solution must of necessity be in the best interests of the whole economic world. But if individual countries are going to seek temporary advantage of each other for domestic political expediency, because the mass of people are ignorant of these problems and how their individual interests are affected, then all concerned will be the losers in the long run.

Other complexities include the present and future settlements of international obligations. The old gold standard in a world not too fettered with restrictions and regimentation worked out this matter on an economic price and exchange fluctuating basis. Now with present tariffs and managed currencies the economic functioning of the gold standard with its automatic gold movements and price changes can not function. The results are clearly less trade, more management and regimetation, and a lower standard of living everywhere. But can the free gold standard be restored and with the lessons we have learned from the years of restrictions and incapable managements be put to work to make the gold standard function successfully as the real international currency again, and more successfully than in the past?

Inflations and deflations in any country must upset the exchange and trade relations with all other countries regardless of their causes. Shall any group of countries stand guard over these complex matters for the world? Or can any agreement between many countries or all countries end these conditions or even mitigate them? Certainly not without controling all other factors that lead to domestic maladjustments and this would not seem to me possible even with any accord that might be agreed upon for an international dictatorship.

Excessive movements of capital between countries or a sudden cessation of such movements, or a period of excessive speculation in the United States or any other country may completely upset exchange and trade relations with other countries and bring crises of many years duration in countries which are innocent bystanders.

The repudiation of debts, the change of political parties or the rise of new social ideologies in any country may upset the exchange relations with other countries for generations. Such examples are numerous in the past quarter of a century in Europe, Asia, and South America.

Under free trade conditions it would be quite possible for scientific developments, new discoveries and improved production at low costs to create unbalanced exchange relationships between the fortunate country and the rest of the world. Even such a maladjustment might bring about such economic disturbances that the usefulness of these new contributions might be destroyed for the present generation. Of course under free competition and free trade economic equilibrium would in time work itself out and the whole world would be the benefactor of these advanced improvements. Can such catastrophe be avoided and still have the benefits of freedom? It seems to me this can be done. But it is a management job of statesmen of great minds and free from individual, national or political selfishness.

It is only possible to mention in this limited space a few of the ordinary complexities of international currency stabilization which are well recognized by every student of the subject.

The Sterling Area and the Dollar

The Sterling Area as I remember it embraced the currencies of some 26 important commercial countries, all of which trade with both England and the United States. Will the Sterling Area be reestablished? What are its uses and what difference will it make?

In the first place it may be accepted without question that the Sterling Area served a useful purpose or it would never have come into existence and grown as it did. If it is reestablished it will be because it is useful. In my opinion it will be reestablished and will serve a very useful purpose for England, and could be equally useful to the rest of the world in stabilizing currencies and exchange relations.

The Sterling Area is in itself a complex affair and capable of many complexities in international finance and trade. In substance it seemed that the countries associated in the Sterling Area provided or accepted a mechanism whereby each country maintained a balance in London. Each country accepted payments in Sterling and made payment in Sterling to the rest of the world. When Sterling was on a convertible gold basis, the currencies of all of these countries were as good as gold in which Sterling was payable. But when Sterling was not convertible into gold or when England was off the gold standard all the countries of the Sterling Area were off gold. The effect of this arrangement in maintaining currency stability or uniformity throughout a very large number of the commercial countries of the world was distinctly beneficial not only to these countries but to all the rest of the world doing business with these countries. In short it furnished stability of exchange which was dependable and this is the first essential in all international credits, long or short. No doubt this Sterling Area cooperation had an important bearing upon the trade and financial relations between England and the associated countries. But it is hard to see how it could be adverse to the United States or any other country outside of the Sterling Area group as long as these outside countries maintained sound economic conditions in their domestic affairs and a sound money convertible into gold. Given these conditions exchange with the outside countries would be just as stable as in the Sterling Area. Gold would flow just as freely to settle balances as if all such countries were in the Sterling Area. There does not seem to be anything in the Sterling Area arrangement to restrict or regulate the flow of trade or capital between this Area and the rest of the world. In fact the stability of the currencies in this vast Area in the past seems to have been a great service to international finance.

On the other hand it is quite clear how the Sterling Area arrangement functioned to make London the paying and collecting center of the world's international exchange transactions. This advantage was also helped by the long period during which the world could depend on Sterling as a sound money, and even when off the gold standard confidence that in time convertibility at the established price for gold would be restored. Such prestige and value can only be established as a result of a long record of per-

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Mutual Funds

New Railroad Stock Fund

This week **Distributors Group** offered **RAILROAD STOCK SHARES**, a new class of **Group Securities, Inc.** The initial offering price is $5 per share and the dealer concession is 6%. Railroad Stock Shares is an investment in a diversified and continuously supervised group of railroad stocks—a 100% railroad stock fund.

The offering was made without fanfare and all advertising on it has been held up until the conclusion of the Fifth War Loan Drive. In this connection, the sponsor comments to dealers as follows: "We do not wish to distract your attention from the Fifth War Loan, but since our SEC clearance has been received we must, technically, send you the enclosed new Prospectus and offer the new class—Railroad Stock Shares."

A folder on Railroad Stock Shares and a portfolio memorandum showing the stocks presently selected for investment accompanied the offering letter. Also included in this mailing was a recent Kerr & Co. engineering report on "The Future of the Railroads."

The highlight of this literature is a series of estimates of post-war earnings of a group of leading railroad stocks having a current average price of approximately $50 per share. These estimates range from minimum average earnings after taxes of $8.24 per share to $14.88 per share, depending on the post-war level of national income and the extent to which excess profits taxes are rescinded.

In the judgment of the Investment Research Department of Distributors Group, "a number of our leading railroads will fully recover their investment credit. Their post-war earnings will . . . justify substantially higher prices for their common stocks."

Hugh W. Long & Co. has reprinted and made available to affiliated dealers an unusual address on the position of railroad securities by Fairman R. Dick, senior partner in the firm of Dick & Merle-Smith. With respect to this address, we can do no better than emphasize the statement of the Long Company: "His address is not a collection of generalities; it is a lucid and highly original dramatization of the facts and figures needed to appraise the outlook for the carriers and to explode some widely-held misconceptions."

Three of the funds sponsored by Hugh W. Long & Co. have a vital interest in railroad securities. For example:

1. Railroad issues—bonds and stocks—represent one of the principal group holdings of **Fundamental Investors, Inc.**
2. Railroad bonds form the larger part of the portfolio of **Manhattan Bond Fund, Inc.**
3. The **Railroad Series of New York Stocks, Inc.**, is composed entirely of railroad stocks.

* * *

An interesting chart in the current issue of **Brevits** shows "1929 in Reverse." Today bank deposits and cash are almost 2½ times the amount they were in 1929. And in contrast, the value of all stocks listed on the N. Y. Stock Exchange is now only slightly over one-

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Post-War Policies

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I take it that inflation is no part of anybody's agenda.

If it is, then there is no way of answering the third question, namely, what really are the prospects for a holiday from war.

What part are we to play in stabilizing international conditions? Our stake therein is great and it will undoubtedly be very much to our own interests that much of the aid we give Europe after the war shall be without any idea of repayment. It will be what President Roosevelt called, last week, an investment in peace. Such contribution, however, cannot be unlimited; because, strange as it may seem to say it, our resources are not unlimited. The contribution must remain within our means. And above all, the people, on whom the cost will fall, must be convinced that gifts made possible by their sacrifice are being used wisely. Otherwise there will be disillusionment, repulsion of sentiment and withdrawal of future cooperation.

People will watch for each sign in Europe and in Asia, of vigorous and courageous grappling with reconstruction; they will watch jealously the efforts made on currency stabilization, and if their funds are to be used as the New York "Times" stated "To support the currencies of China, Ethiopia and Iraq" and thereby "To support the internal economic policies of those countries," they are going to ask how long these burdens can be afforded by this country and why the same results cannot be attained by sound currency policies within each nation.

If we remember that no peace is durable which cannot be endured, if we remember Prime Minister Churchill's obligation on the part of the leading Allies "to keep within certain minimum standards of armaments for the purpose of maintaining peace" we will get some idea of why sound economic conditions are essential prerequisites of any formula for preventing war; for we cannot do even the minimum that Mister Churchill suggests if we are not economically sound.

No one can present a pattern for peaceful living, but it is absolutely essential that the principal Allied Nations must first settle their domestic problems, balance their budgets and strengthen their economic positions at home so that they may be free to assume a full share in the responsibility of establishing and maintaining peace for the world. I have no completed program to suggest, for it is much too early to be rigid about such things.

I recently said in a public address that "blueprints, but not contracts, should be in the briefcases of those who will meet in the conferences of peace. The contracts can be let after the designs have been carefully inspected for fundamental errors that can be corrected on the blueprint but not in a finished structure."

I think we on our part can do that best by restoring as fully as possible the American way of living and, as I also said in Boston a few weeks ago, leaving to the other fellow the talk about expansion of foreign trade. Not of course "discontinuing the traditional American system of trading with the rest of the world subject to some tariff limitations."

And American labor must also be protected by the maintenance of immigration quotas.

It is essential to European countries that they live by foreign trade and we may as well recognize the fact that the bottle-neck in foreign trade is our unwillingness to buy—not our ability to sell. Unless we give other nations an opportunity to acquire dollars, unless we are willing to take goods and services of others to the extent that we want them to take our goods and services, we are going to deprive them of an opportunity to make the living which we have sacrificed countless lives and spent billions to obtain for them.

Frankly, I can see vast business abroad during the period of necessary reconstruction and rehabilitation, until those immediate needs are satisfied. India and China, for instance, because of their teeming millions are heralded as a source of foreign trade for us. Briefly, the prospect of huge exports to these countries during our lifetime seems remote. Irrigation, housing, road construction, of course, — but it will be many years before the standard of living in those countries will improve enough to create a demand for our essential products. Let me remind you that the total of our exports for the last seven years before this war averaged $3 billion annually. We send twice as much as that out of our ports in war materials now every month. We cannot possibly expect under normal conditions demand sufficient to guarantee substantial foreign trade. We know perfectly well that if Lend-Lease isn't to continue indefinitely, foreign countries cannot afford to pay us for exports.

So that in answering the query "What are the prospects of an enduring peace?" I say to you that unless conditions after the war are such that the smaller nations of the world are not subject to the ruinous economic struggle for foreign trade, which could only be the prelude to chaos and political upheaval abroad fomenting the seeds of war, no peace prospect is durable because no such peace would be endurable.

At home, we must move surely and swiftly to see to it that capital, labor and government, separately and collectively, assume their obvious responsibilities in the post-war world.

I am confident that under government leadership a workable program can be developed.

I hold no brief for the view that private capital exclusively exhibits virtues of conduct; I am sure that government control can become irritating interference and I can see no sense in the labor policy that leads workmen to go on strike when a factory is faced with the inevitable discontinuance of war contracts such as occurred at the Brewster plant two weeks ago. How that procedure could help either the workmen themselves, labor, or the owners of the business, capital, or the government of the nation is another one of those things I am too dull to comprehend.

I think it is absolutely necessary immediately that businessmen recognize that no useful purpose could be served if all controls were to be lifted; that the government recognize immediately that complete control amounting to interference with American business enterprises is absolutely destructive of the initiative which is the hall-mark of our economy and that labor recognize immediately that, in the enormous work of industrial demobilization that lies ahead, it must assume some share of responsibility and that dislocation and relocation of workers is inevitable.

There is nothing more certain and in this I have no hesitancy to assume the role of prophet, than that if we wish to avoid unemployment and if we wish to make the dollar paid for labor's wage valuable, capital, labor and government must sit down together and do some pretty solid constructive thinking. And they had better begin thinking pretty soon because "cut-backs" and cancellations" are inevitable—because the invasion which has started marks the beginning of the end of our war-time economy. Demobilization of industries, adjustment of productive capacities to normal conditions or to peacetime conditions is not going to be done easily at best,—it is going to be stymied if capital, labor and government are at loggerheads.

In the adjustment from war to peace conditions our citizens too have an important role. They should develop the maximum of capacity for understanding and assuming their responsibilities. If they know enough about what is going on, and if they understand it, they have the power to exercise sufficient control over private initiative, government and labor alike to make certain that the problems facing us are not only solved in the common interest but are placed in the charge of the best people available irrespective of social status or party affiliations.

Similarly, in the international field cooperation is essential. We will have crisis after crisis leading up to a Third World War, if we do not, in accord with the other great powers like Britain and Russia, try to understand the problems of the smaller states. There is in the world everywhere today a very strong consciousness among the people of their nationhood. Today, after the scourge of German or Japanese or even Italian Fascism, the victims have one fundamental desire, merely that of being left alone. They do not wish to be bossed, even by their friends and liberators, and any attempt on our part to tell these nations what they are to do, or any scheme of making such economic help as we may be able to give them conditional on their obeying, would only antagonize them and promote further discontent in the world. If we wish to exchange not only goods and services but also ideas, inventions, and other matters of the spirit and the mind with these nations most of which are old civilizations, we must not approach them in a spirit of aloofness but rather as friends and partners in the most stupendous undertaking the world has ever seen.

To summarize: I do believe that in the post-war world most of our people who want to work will have a job. But common sense tells me that with the slow tempo of peace, following the fulfillment of temporary pent-up demands, it is not going to be possible to give continuous full-time employment to 65 millions of people now on private or public payrolls. I am not afraid that the laborer's wage dollar will be made valueless by ruinous inflation. I do believe that an enduring peace is possible if ruinous economic competition does not make small nations forget and larger nations ignore their international responsibilities — to live and let live.

I am confident a way will be found to maintain a decent post-war world; to make America strong and to keep it strong, thereby best serving the world. As Congresswoman Luce so aptly said, "There are no hopeless situations—only hopeless men." I am far from hopeless—I merely wish to be prepared.

Through the efforts of government, business and labor we can avoid depression; but not if we allow things to take their course. The government will have to encourage in every possible way an increase in the volume of national production usually referred to as national income and to the free marketing of an expanded production and these matters should receive attention before some of the desirable, but not urgent, social objectives. Government, for instance, while tiding over those who cannot immediately find jobs must create some jobs itself in public works, housing operations and particularly by liberal financing of home buying.

Business associations, in turn, can devise methods of employment and labor, by agreeing to remove building restrictions, can greatly accelerate expansion.

Self-reliant as the American people are, they will match with their savings any efforts made in their behalf; and as a consequence of these mutual efforts of government, business, labor and the people themselves will protect and maintain the American standard of living.

Five years ago I was opposed to having a nation that was then unprepared, rushed headlong into a war which it would be asked both to fight and finance. I now urge with all the strength I command that America keep strong industrially and financially and that we be not compelled by those who have the power to bind us to bear an onerous share of the expenses of world-wide social service, foreign trade and world currencies.

I have no objection to our share of the social bill necessary to promote tranquillity and world-wide decent existence for all who merit it by cooperation. I have no patience with the view that because our cities have not been devastated and gutted as I saw London scourged that therefore we have not suffered from this war. You can't tell that to the family whose boy is not coming home at the end of the war.

I am happy that we have been allowed to enjoy intact so many of the things that we consider our heritage and our daily needs. I think it would be cowardly to shrink from participation in the problem of straightening out this world wreckage. But it would be stupid in our generosity to forget ourselves. Help the rest of the world by all means—but don't commit America to endless burdens. Preserve internationalism but serve America. Out of all of this terrible turmoil some one nation should emerge strong enough to stand as a beacon of hope to the world.

Let America be that shining beacon.

But let us now agree on the message its flashes will send forth. And let us be certain that no man chosen to serve our people shall alter one word or letter in that message, which I hope will be:

"No inflation, either direct or by repudiating our bond. No deflation achieved through ruthless unemployment. Stabilization at home and all help to those abroad who do the same — but to those only."

This is the economic path to peace. No peace ever reached its goal, with strength to hold it, over any other path.

What Will Come Out Of United Nations' Monetary Conference?

(Continued from page 2597)

formance and overcoming obstacles that are at times costly.

The effect of this Sterling Area association upon the prices of commodities in international trade is a long and complicated analysis which we can not go into in this brief article. But it is important to point out that the prices of commodities in international trade have a close tie with Sterling and the fortunes of the Sterling Area.

But omitting the price problems the current questions of first importance seem to be:

Shall the dollar and the pound be pegged to gold at a definite price, and if so at what price?

Shall the dollar and the pound be pegged to each other for the reconstruction period or permanently, as they have been pegged at a definite price for the duration?

Shall the dollar and the pound be left free to find their own level both in relation to gold and to each other in the commercial warfare of exchange and trade which will follow the cessation of hostilities?

Shall the pound be reduced in gold content because England will have an unfavorable exchange and trade balance, and to ease the burden of debt and taxes, which rising prices would do?

Would the adverse effects of cheapening the pound offset its advantages of expediency? For example a lower gold value for the pound would set up a tariff against imports from the rest of the world and make exports from England cheaper to the rest of the world. Since England must import her raw materials the advantages seem no greater than the disadvantages. Besides other countries can juggle their currencies and tariffs also.

Shall the dollar be reduced in gold content for the same reasons that England might consider reducing the value of the pound? Would the disadvantages be greater than the possible advantages? If both the dollar and the pound are reduced a like amount in gold content there will clearly be no advantage or disadvantage gained between these two areas. The effect with respect to each other would be within their domestic economies.

Is a cheapening of the currency and rising prices the best solution of the vast increase in national debts, taxes, budgets, wages and costs of production? Evading these complex problems by cheapening the money, and inflating prices and the cost of living is only a method of charging the costs of the war up to Johnny Q. Public, and those who are thrifty and saving, past, present and future.

The Problems Do Not Admit of, a Simple Solution

All the information possible should be had upon these complex monetary problems and exchange relationships which will affect the wellbeing of every one in the civilized world for generations. The best qualified minds in every country should be called upon to contribute unselfishly in supplying this information. If all the information and ideas are laid bare before the public a sounder appraisal will be made and economic conditions will adjust themselves and discount the best solution. The maintenance of secrecy and a flood of inside rumors will be most unfortunate in the processes of solving these vital problems.

The most that can be accomplished at the present time will be to present evidence, information, provide for research, and perhaps make a statement of principles for the greatest good of all cooperating countries, and upon which finance and trade can depend in the future solution of these complex problems.

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes:

Proposed transfer of the Exchange membership of Alan M. Limburg to John T. Collins will be considered on June 29th. Mr. Collins, it is understood, will act as an individual member.

Benjamin Stenzler, general partner in Bliss & Co., New York City, becomes a limited partner, effective today.

Irving Kent Fulton, special partner in Merrill & Co., died on June 2.

Kenneth B. Schley, partner in Moore & Schley, died on June 12.

Mutual Funds

(Continued from page 2597)

half their value in the big boom year of 1929. The bulletin adds that "the people of America also have invested over $70,000,000,000 in war bonds—a total amount of spendable money and Government bonds in excess of the money the Government has spent on the war to date."

All this leads to the conclusion that: "Whether people will buy automobiles, washing machines or whatever they feel they may need most remains to be seen; but it should not be overlooked that right now common stocks are subject to no priorities, to no ceilings and are still at approximately the same levels as before the war began."

* * *

A. W. Smith & Co. reports that in the period from May 10, 1940 to date, with the Dow-Jones Industrial Average showing a net gain of less than 1%, **General Investors Trust** is up 13.9%. Also in this period dividends have totaled $1.12 per share, an average of 28 cents annually to yield 5.3% on the May, 1940, offering price.

* * *

Ray Vance, Chairman of the Trustees of **New England Fund**, in a letter to shareholders, discusses the immediate significance of reconversion and its problems in the selection of securities. After discussing various factors having an important bearing on the period of reconversion, he warns investors not to "over-estimate the importance of any factor."

"Especially remember that market prices can rise to a point at which they over-discount the rosiest future and, similarly, that that low prices may over-discount difficulties."

* * *

Keystone Corp. devotes the current issue of **Keynotes** to a highly informative discussion of the 1944 personal income tax law. According to the bulletin, there have been significant changes in the law of which the public does not seem to be fully aware.

"While there is a widespread impression that the new rates do not represent a substantial increase over the already existing tax rates on 1944 income, they will result in an increase to almost all taxpayers over the rates which applied on 1943 income."

The general effects of the new tax law for various groups of taxpayers are then summarized briefly.

* * *

Lord, Abbett, in the current issue of **Abstracts**, analyses the relationship between bond yields and stock yields over the past 15 years. The conclusion reached is that despite the favorable relationship of stock yields to bond yields at this time, the investor should not be fully committed in either group but "might properly give consideration to relatively heavier purchases of stocks from this point on."

* * *

Selected Investments Co. makes some interesting contributions to statistical lore in recent bulletins. One computation, entitled "Ten Out of Eleven," shows that industrial stocks have moved upward in 10 out of the 11 Presidential election campaigns held in this country during the present century. The moves cover the June 15-Nov. 15 period of the election years and range from a decline of 16% in the one down-year to a gain of 42% in the best of the 10 up-years.

Another computation issued by this sponsor shows that **Selected American Shares** "made up its load" 11 times over a period of 26 months. The point made here is that while "a salesman, a security dealer, an underwriter must be paid for his services" just the same as anyone else **in periods of rising markets the load on a mutual fund is quickly made up.**

Mutual Fund Literature

National Securities & Research Corp.—A current issue of **Investment Timing** with an article on synthetic rubber. Also a revised portfolio folder on **National Low-Priced Series.** . . **Hugh W. Long & Co.**—A current issue of **The New York Letter**, containing an excellent discussion of the need for professional security management. The record of **Fundamental Investors** is cited as an example of what can be accomplished. . . . **Calvin Bullock**—The June 15 issue of **Perspective**, containing an informative study of corporate taxes. . . . **Distributors Group**—A special memorandum from the Investment Research Department on "Steel—The Effects of Conversion." Revised portfolio folders on **Railroad (Bond) Shares, General Bond Shares** and **Low-Priced Shares.** A current issue of **Steel News**, "Measuring the Undervaluation in Steel Stocks." Also the June issue of the **Group Securities** monthly Investment Report. . . **Selected Investments Co.**—A revised portfolio folder on **Selected American Shares.** Also an impressive seven-page memorandum, "Investment Company Shares for Trust Investment." . . . **Broad Street Sales Corp.**—A current issue of **Items**, comparing the market performance of **National Investors Corp.** with the Dow-Jones Averages for various periods since 1939. Also the current issue of **The Broad Street Letter.** . . . **Hare's Ltd.**—A folder, "The Decision of the Supreme Court that Insurance Is Interstate Commerce."

Dividends

American Foreign Investing Corp.—A dividend of 25 cents per share, payable June 22, 1944, to stock of record June 15.

Broad Street Investing Corp.—A dividend of 25 cents per share, payable July 1, 1944, to stock of record June 23.

Fundamental Investors, Inc.—Quarterly dividend No. 42 of 22 cents per share, payable July 15, 1944, to holders of record June 30.

General Investors Trust—A dividend of 6 cents per share payable July 20, 1944, to stock of record June 30.

OUR REPORTER'S REPORT

Dollar bonds of South American nations have responded, with few exceptions, to the recent signing of a pact between representatives of the Brazilian Government and the Foreign Bondholders' Protective Council, Inc., under which service will be resumed on the debt of that nation.

Only Argentine loans have really been laggard and the reason for their discouraging action is not difficult to find when it is realized that that country has been only lukewarm, if not actually cool all through the period of planning for hemispheric solidarity.

The Brazilian debt adjustment plan, involving a total of some $286,000,000 of dollar obligations, was well received in foreign bond circles and regarded pretty much as the forerunner of a series of such revisions.

All South American countries have been building up substantial dollar reserves in consequence of warborn prosperity and accordingly are viewed as being in good position to undertake negotiations looking toward resumption of interest on their foreign indebtedness.

The vast bulk of such loans are now selling "flat," that is in default of interest, but recovery from low levels of some years back are indicative of the rising hopes of speculative investors.

Current efforts to work out a settlement with the Peruvian Government have been suspended until next fall. A total of $86,000,000 is involved here.

Look for Quiet Summer

Aside from the current Fifth War Loan Drive, which is taking up the main efforts of the Street's security firms these days, the chief topic of conversation is the outlook for the new issue market when the Treasury's drive is completed next month.

For the moment the roster of prospective new issues is not particularly lengthy and the disposition is to look for a period of relative quiet until after the summer-end holiday.

But the Street evidently feels that there are several sizable projects which may reach market during late July or early August and those who lean to that view are making plans accordingly.

Ohio Edison Prospects

The largest prospective new offering currently in the discussion stage involves the refinancing plans of the Ohio Edison Co., calling for $31.000.000 of new bonds and $18,000,000 of new preferred stock.

Groups already have been welded together to seek the bonds when the company sends out its call for bids possibly within the next fortnight, and it is now indicated that at least three large banking syndicates will be in the field.

Meanwhile the prospects are that several other banking aggregations will seek the stock alone. At present it appears that only one group will make a "basket" bid for both bonds and stock.

Another Prospect

There is at least one other midsummer possibility of more than ordinary proportions namely the potential refunding by Kansas City Terminal Railway of its outstanding $49,000,000 of first mortgage 4s maturing in 1960.

For the moment there is nothing to suggest that such an undertaking is in immediate prospect, but as in the case of Ohio Edison bankers are making the necessary preparations.

Thus far talk is heard of the likelihood that the Terminal offering when as and if it materializes will be the center of bidding by at least three groups.

To Be Guests At NYSE War Bond Rally

Former Governor Alfred E. Smith and Captain Richard Lewis Harris, D.S.C., will be the guests of honor at a Fifth War Loan Rally to be held on the floor of the New York Stock Exchange on Monday afternoon, June 26, at 3 o'clock, Emil Schram, President of the Exchange, announced today. Also participating in the rally, to which the general public is invited, will be Nevil Ford, Chairman, New York State War Finance Committee, and William R. White, Director of the Committee's Banking and Investment Division. The program, which is being perfected in cooperation with the War Finance Committee, will be designed to intensify further the community's concentration upon the sale to the greatest possible number of individuals of the greatest possible amount of war bonds. Music will be provided and the floor of the Exchange will be appropriately decorated.

Schallitz On Business Trip

Walter G. Schallitz, President of Security Adjustment Corporation, 16 Court Street, Brooklyn, N. Y., is making a month's business trip to Chicago, Los Angeles, Mexico City and New Orleans.

Canadian Securities

By BRUCE WILLIAMS

What is the significance of the recent Saskatchewan elections? And what are the causes that have led to these not unexpected results?

The decisiveness of the election verdict does not represent so much a victory for the CCF party as a protest vote against the Liberal government which has failed to assess correctly the genuine grievances of the western provinces, and which has been hesitant to take decisive action to correct them.

What are these grievances? The basic cause of complaint dates back to the depression era of the thirties. Owing to an anomalous interpretation of the British North American Act, which is in effect the Canadian constitution, the relative rights and obligations of the Federal and Provincial governments in certain cases are not clear. The intent of the Act was to give Canada a more centralized form of government whereby the powers of the provinces were specified, and those which were not defined were vested in the Federal Government.

However, as in this country, the interpretation of the constitution was entrusted to the courts, and the decisions of the Canadian Supreme Court and the Judicial Committee of the British Privy Council have consistently favored the provinces. Thus, when the question of unemployment relief arose during the depression, the provinces apparently were responsible, but lacked the necessary revenues.

In this way, the western provinces were hit not only by the general economic depression, but also by an unprecedented drought which reduced farm incomes, their staple source of revenue, to an alarmingly low level. This critical situation was met in large part by Dominion Government loans to the provinces, represented by treasury bills. British Columbia, due to its wealth of varied natural resources, carried the increased debt burden in its stride; Manitoba, by deliberate diversification of its economy and superb financial management, stood on its own feet; Saskatchewan leaved heavily on the Dominion Treasury and thereby paid its way; Alberta succumbed to the wiles of specious monetary theory and left the path of orthodox finance.

Now Mr. Stuart Garson, Premier of Manitoba, and fearless spokesman for the West, heads a campaign for recognition of the Dominion Government's responsibility for this inequitable dead-weight debt carried almost entirely by the western provinces, which undoubtedly was caused by a national calamity that should have been borne by the whole country.

As Mr. Garson clearly states, the Central Government has the remedy ready-made in the shape of full implementation of the findings of the Rowell-Sirois Royal Commission which was appointed to examine this problem. The Mackenzie King government without question fully appreciates the justice of this demand, and, but for the exigencies of the war and previous political difficulties, would doubtless have placed the issue squarely before the country.

Now the Saskatchewan election results point the way, and Mr. King, the most astute and able politician in the country, has his great opportunity to set another milestone in Canadian history. Is it not significant that the Liberal government remained curiously aloof from the election struggle in Saskatchewan? Could it not be because Mr. King wished to bring rudely home to his supporters in

(Continued on page 2603)

Why Spokesmen At SEC Hearing Held NASD "5% Spread Philosophy" Constitutes A Rule And Should Be Abrogated

Prepared Statement Read By Frank Dunne

(Continued from page 2582)
ception to the methods employed by the Board of Governors of the NASD in the adoption and promulgation of the "rule."

Because the bulk of our memorandum of March 6, 1943, dealt with quotations, I would like to summarize very briefly the scope of our comments on quotations so that you will perhaps feel that we gave considerable thought and effort to this angle. We submitted to the Director of the Trading and Exchange Division copies of the annual reports of the Committee on Securities of the New York Security Dealers Association for the years 1931 to 1937, inclusive. This committee is the one that dealt with newspaper and press quotations on over-the-counter securities before the NASD took over the function from the New York Security Dealers Association in 1938. In addition to these reports, some of the headings of the ground covered are as follows:

1. The importance of quotations. That was supported by six exhibits.

2. The pioneering job done over 11 years by New York Security Dealers Association. That was supported by two exhibits.

3. The principle of mean quotations versus highest bid and lowest offering. That is retail versus wholesale quotations. That was supported by four exhibits.

4. Advocacy of SEC supervision of quotations. That was supported by one exhibit.

5. The financial burden of quotations. That was supported by four exhibits.

6. Former operation of Committee on Securities—quotations. That was supported by two exhibits.

7. Cooperation with other regional groups. That was supported by two exhibits.

8. Industry resistance to cutting down profits. That was supported by three exhibits.

9. Necessity of having quotations free of commercialism. That was supported by four exhibits.

10. Progressive improvement of quotations under New York Security Dealers Association. That was supported by one exhibit.

11. Recognition of problem of unwarranted profits. That was supported by one exhibit.

12. Retrogression of quotations. That was supported by two exhibits.

In order to develop the next point I have in mind, I find myself in the unhappy position of being critical of one aspect of the functioning of the NASD. I am sure it will not be too difficult for you gentlemen here to accept my statement that my record in the industry, as far as correcting ills and abuses in the industry are concerned, has been one of trying to work out our problems by the democratic process of give and take. Having served in the first group of Governors that was elected to the NASD, and being currently a member of District Committee No. 13 which embraces Connecticut, New Jersey, and New York, it is not an easy thing for me to be critical of the NASD, but I find it necessary. While I still believe in the avowed objective of the NASD, voluntary, democratic self-regulation in the industry, I must say, that as far as the democratic end is concerned, the hope has not squared with the performance. I do not think it necessary to go into columinous detail to make this point. Apart from the instant case, may I remind you of the matter of minimum capital requirements which the NASD tried to bring about two years ago. Parallelling the matter of profit ceiling, the attitude of my associates and myself was that, we did not quarrel with the principle of minimum capital requirements, but the manner in which the NASD high command proceeded to bring it about. To be sure, they did go to the membership, there was a ballot, but it was not a secret ballot, and any fair sampling of the industry would have shown that even those that did vote were afraid to express their true convictions. You will recall that the Commission found it necessary to call off the minimum capital requirement rule.

Now we come to the matter that occupies us today, whether the letter of Oct. 25, 1943, and the supplemental directive of Nov. 9, 1943, in effect constitute a rule or an interpretation. If the former is the case, as I believe it is, then the NASD Governors have violated not only the spirit of voluntary democratic self-regulation, but have violated its own by-laws.

When I says it is my belief that the letter of Oct. 25, 1943, and the directive of Nov. 9, 1943, constitute a rule, I am not giving you one man's opinion—the majority of the members of the NASD District No. 13 in their discussions, if I understood them correctly, felt in the exercise of their duties that the letter and directive would have the effect of a rule. I cannot speak for the other District Committees, but I feel confident that they get the same reaction. More important, however, is the reaction of the rank and file of the membership of the NASD to the letter of Oct. 25, 1943. Almost without exception members that I have corresponded with throughout the country, or talked with on the teletype and the long distance telephone, have felt that the matter, for all practical purposes, would have the effect of a rule. On this point may I refer you to the letters that appeared in the "Commercial and Financial Chronicle" from dealer members throughout the country for the period beginning last October up to the present time.

After the New York Security Dealers Association had adopted its resolution of Jan. 26, 1944, in which it claimed the interpretation to be a rule, and requested the Securities and Exchange Commission to direct the NASD to submit the rule to its membership for a vote, I personally was severely criticised in some quarters for not having taken the matter up with the Board of Governors of the NASD in behalf of the New York Security Dealers Association before looking to the Commission for relief.

While it is true that the New York Security Dealers Association did not formally take the matter up with the NASD Board, my attitude and the attitude of the New York Security Dealers was well known to many, if not all of the NASD Governors. As far back as Nov. 16, 1943, or about three weeks after the issuance of the Oct. 25, 1943, letter, I expressed that attitude at a meeting of the District No. 13 Committee in a prepared memorandum which read as follows:

"In so far as the placing of a ceiling on profits is concerned, I believe it is constructive, and to my mind a very practical idea in keeping with the present-day philosophy of regulation of our business. As to the measure of profit that should constitute a ceiling, I believe this should receive most careful consideration, with a view to finding a formula under which all competent and useful members of our association may continue to conduct their business, not only fairly and equitably, but profitably as well, commensurate with market conditions and other factors inherent in the proper conduct of their business.

Now as the interpretation of Section I of Article III of the Rules of Fair Practice, referred to in the letter of the Association dated Oct. 25, 1943, which interpretation sets a ceiling of 5% on principal and agency transactions generally, I believe the Board of Governors has erred in considering their action as an interpretation. This may be due to misunderstanding or perhaps to too hasty action.

I am satisfied that regardless of what we call the action of the Board, it is in fact a Rule, and as such must be submitted to the membership for approval before we attempt to adopt it as part of our procedure. This thing is vital. It concerns the very reason for which we are in business. When we say to our members that they must limit their profits and commissions, we strike at the very heart of their business. I believe that that in itself is sufficient reason to consider the action as a Rule, and to submit it to the members for their approval. The tremendous importance of this question transcends the technical and legalistic aspects of it. Even these, upon close examination, I feel sure, will bear out my contention that here we have a Rule, and not an interpretation.

I know that the Governors of this Association recognize the responsibility that goes with their position, and that they seriously apply themselves to the work, and in most cases at personal sacrifice of time and money. It does not seem fair to have them accused of assuming arbitrary and dictatorial powers in attempting to foist their personal views on the entire membership without giving the members, at the very least, the privilege to pass upon the action. This is their right, and they should not be deprived of it. It also does not seem fair for the Governors to have to bear the burden of the disunity, the discontent, and general ill-feeling that this action has brought into being among the membership generally in all parts of the country. If nothing worse than a weakening of our association is the result, it is bad enough, and we should do everything possible to avoid it.

I have supported the NASD because through it we have the great privilege to regulate ourselves. That is really a great privilege, and let us move more than carefully to make sure that we retain it. Don't let us gamble with a possible serious disintegration in our ranks.

In conclusion, I have no positive formula to correct the harm already done, but I urge that the Executive Committee do everything at once in that direction.

What I have said here is not intended as criticism, but is said with a desire to be helpful in preserving and strengthening our Association.

Apparently my critics were not aware that among those that attended the meeting were the then Chairman of the Board of Governors and the Executive Director of the NASD.

I think that all reasonable people will admit that I tried my best to have this question cleared up within the industry, and only after my efforts in that direction failed did I formally appeal to the Commission for help.

I am not a lawyer, and I do not even have the benefit of legal advice. From the nature of our small organization and its limited resources, neither a paid president nor eminent counsel is possible. However, in looking at the Rules of Fair Practice I find in my own way:

1. The Board of Governors has the power to adopt rules for submission to members under Article VII, Section I of the By-Laws.

2. Article VII, Section 3, gives the Board the right to interpret rules — my understanding of the use of an interpretation is to make clear a rule that may not be clear and not in effect create a new rule and circumvent Article VII, Section 1, of the By-Laws.

3. The letters of Oct. 25 and the directive of Nov. 9 constitute a rule because Article III, Section 4, of the Rules of Fair Practice provide:

(1) In principal transactions members shall charge a price that is fair taking into consideration market conditions; and

(2) In agency transactions a member is allowed a fair commission taking into consideration market conditions, expense, value of services by reason of experience and knowledge.

Now the letters of Oct. 25 and Nov. 9 have done away with these standards, and state that:

(1) In principal transactions the mark-up must not exceed 5%; and

(2) On agency transactions regardless of expense and other factors commissions shall not exceed 5%.

The Chairman: Do you find that flat statement in the letter?

Mr. Dunne: That is my lay construction of it, Mr. Chairman.

The Chairman: I am referring, of course, to your 5% reference.

Mr. Dunne: Without the advice of counsel, Mr. Chairman, as a member of the Business District Conduct Committee, I would feel that where a man took more than 5%, his transaction should be criticized, or at least we should question it, and where the pattern of his business is distinctly 5% and over, we should penalize him. That is, have the usual complaint drawn and take action in accordance. For that reason, I feel very strongly that it means 5%. At least, that is what it means to me.

The Chairman: I see.

Mr. Dunne: And I find, as I said before, that nearly all of the members of the District Business Conduct Committee who have had legal advice, and a number of them have had legal advice, feel as I do.

It evidently was contemplated that a rule and an interpretation were different things. I find in Article VII Section 3(c) of the By-Laws that the Governors have the power to prescribe penalties for the violation of the terms, conditions, covenants and provisions of the By-Laws, or the Rules of Fair Practice, but there is no power given to prescribe a penalty for acting contrary to an interpretation.

It has been said that some of the members of NASD will be unable to continue "under the interpretation" and will be forced out of business. They should have an opportunity to express their approval or disapproval of the action that is so vital to them. As one who took part in the discussions in the setting up of the NASD from the inception of the Maloney Act, and the drafting of the framework under which the Association operates, I can state that it was the purpose of the framers of the Maloney Act to encourage self-regulation in the over-the-counter industry, and to set up an Association along completely democratic lines that would be all-embracing of those in the industry. As you know there are many registered broker-dealers who are not members of the NASD, and their number, it would seem, would be unquestionably added too, if this interpretation prevails. Further, because of the manner in which this matter was brought about by the Board of Governors, the disunity and ill-feeling within the business will continue unless the matter is set aside or submitted to the membership for approval. In order for the NASD to be successful and operate efficiently, the feeling that the Association is run by a certain group, and as a private club must be eliminated, and those in control must recognize that all members have an equal voice in the affairs of the Association.

Now, if the letter and directive constitute a rule, as I contend, it seems to me that the Governors have violated Article VII, Section 1 of the By-Laws of the NASD which requires that before a rule is adopted it must be submitted to the membership for approval.

I therefore respectfully ask the Commission to do as follows: Designate the letter of Oct. 25, 1943, and the directive of Nov. 9, 1943, as constituting a rule arrived at without the processes provided by the By-Laws of the NASD, and consequently pray that they abrogate this rule in order to conform with the purposes of the Securities Exchange Act under which the NASD is constituted—(Section (B) (2) of Section 15 A of the Securities Exchange Act of 1934.)

You are doubtless familiar with the "added starter" in the growing literature on this subject. I refer to the interchange of letters of Mr. Ralph Chapman, Chairman of the NASD and Mr. Irving Fish, Chairman of NASD District No. 13 Committee, the sense of which is to establish the policy, not as a rule, but as a yardstick. I put these aside because I do not think they change the matter. I also wonder if the timing of the release of these letters and the date of this hearing are purely coincidental. After the release of the letters I called a meeting of my Board to make sure of my opinion. Eleven of the 12 Governors attended and unanimously voted to have me attend this hearing.

In conclusion I want to say that I am greatly concerned with the larger subject of which this is just an example. The larger problem was ably stated by your Chairman less than two months ago at San Antonio, Texas, before the Texas Group of the Investment Bankers Association when he said among other things:

> "The preservation of our democratic institutions as we have known them depends in large measure on our ability to maintain and strengthen the foundations of small and medium-sized independent enterprise."

Thank you very much, gentlemen, for your time.

The Chairman: Thank you, Mr. Dunne.

Mr. Kole, will you proceed?

Oral Argument Of Edward A. Kole

(Continued from page 2582)

and like the little school boy who starts with C-a-t, I thought it might be a wise thing to sort of go back and determine what the definition of "rule" is, and what the definition of "interpretation" is.

We are told that a rule is an authoratative direction or enactment, a concise direction respecting the doing or method of doing something.

We are also told that it is a prescribed guide for conduct or action.

The first definition is from Funk & Wagnall's Practical Standard Dictionary, and the second is from Webster's New International, the unabridged.

To interpret is to give the meaning of, explain, to give illustrative representations of, to construe; and another definition —to explain or tell the meaning of, to translate into intelligible or familiar language or terms; to expound, elucidate, translate.

Now, I think the evil of this whole situation is, as it has been presented from time to time to the NASD, to the SEC, the various organizations, that men have taken the position that the term "rule" and the term "interpretation" are mutually exclusory, that you cannot have a rule which is a mere interpretation and that you cannot have an interpretation which is a rule; and I mean to demonstrate to you that that is utterly unsound.

An interpretation involves a matter of individual volition. You and I may look at something and each have a different view of it. That is your interpretation, and if mine is different, that is my interpretation. But the moment that you establish an interpretation or a philosophy, and you send out a directive, and when I say "you," I mean a body with authority like the Board of Governors of the National Association of Securities Dealers, and you instruct the Business Conduct Committees to apply that one individual interpretation, that one philosophy, you do not leave room for individual volition, but you say that is to be applied as a yardstick; that moment that interpretation becomes a rule and I don't think I need labor the question that under the letters of Oct. 25 and Nov. 9, that is exactly what the NASD did. They instructed the Business Conduct Committees that they must apply that interpretation in proceedings before them; and therefore, in doing that, so long as it was an individual interpretation and opinion, they could have it and anybody else could have it, but when they ordered and when they directed that it be applied in disciplinary proceedings, at that moment it becomes a rule.

Now, gentlemen, I have given you a definition of a rule, in fact, two of them, but it is interesting to note the more liberal attitude that the Maloney Act takes with respect to what constitutes a rule in the National Association of Securities Dealers.

In Section 14 (a) (2) wherein is prescribed how an Association must register, and what it must do, it must file copies of its constitution, charter or articles of incorporation or association with all amendments thereto, and of its existing by-laws, and of any rules or instruments corresponding to the foregoing whatever the name, and may I interpolate (even if you call them interpretations), "hereinafter in this title, collectively referred to as the rules of the Association," so that you see in the provisions of the Maloney Act alone, the word "rule" is given even a broader interpretation that you find in the dictionary.

Now, what other index is there in this source material, and this is source material, the Maloney Act, that this interpretation is a rule.

When disciplinary proceedings are conducted, under the statute the Commission is obligated to state what rule has been violated. Now, of course, the Commission has been in the habit of referring to a Rule of Fair Practice, the general rule of the organization of the NASD. No unconscionable profits, fair and equitable trade; the broad underlying rule of the association is that it is general in its terms, and unfair practice may mean one of a hundred things or one of a thousand things. But what does the statute say must be done in the case where there are trials for the infraction of that rule? I read to you from subdivision 9 of the same section, and it is subdivision 9 (b):

"A statement setting forth the specific rule or rules of the Association, of which any such act or practice or omission to act is deemed to be in violation."

You will notice the term "specific rule" and therefore, as I see it, when anybody is being tried for acceptance of unconscionable mark-ups, the specific rule before the NASD would be the rule that, if there was more than a 5% spread, under those circumstances, there would be a duty on the part of the Trial Committee, the Business Conduct Committee in that instance, to so state in its findings, and if it is dubbed merely an interpretation, the effect of it is to by-pass the specific provisions of the statute of the Maloney Act. And yet, in another sense, speaking of by-passing, has there been a by-pass here?

Under the terms of the statute, the sole arbiter of the propriety of any rules that are established either initially or in the form of amendment or interpretation (because I conceive interpretation where it is so applied, merely, to be a rule), is the Securities and Exchange Commission. I think that the NASD may be called "your baby." You work together; you are bound to work together under the terms of the statute. You have that directive there. There is nothing wrong in that, and in anything I have said up to this point, there has been no intention to suggest at any time that there is anything wrong in that.

Hence, the responsibility with respect to the rules of the Association are directly yours, and cannot be evaded; for if they are improper in any sense, you may revoke them.

You must see that the passage of any rules comply with the source statute, the Maloney Act, and you have the power under that statute to direct the passage of certain rule. You can even do that.

Now, then, here there has been a definite by-pass, because the question of that 5% limitation is a matter that is one of the most vital things in the entire industry today. If anything, you should have had, I suggest, some hand in the passage or refusal to pass on this recommendation or on the tabu-ing of it. Your opportunity comes now again. Clearly in everything that has been done now, and I am not nearly as generous in my attitude toward the Board of Governors as Mr. Dunne is—I am frank to say I do criticize because I think there was a preconceived notion here to by-pass the franchise of the NASD membership and not have them vote, and also by-pass the right of the Securities and Exchange Commission to pass upon the philosophy.

I would say under all those circumstances, there is a plain duty here to revoke that rule.

I would be generous in my point of view towards the NASD if I did not feel that that mental attitude of desiring to continue that by-pass is still in force and effect, and I think the indication is made most clear by the letters exchanged between Mr. Irving Fish and Ralph Chapman, to which Mr. Dunne referred.

Commissioner O'Brien: May I see those, please?

Mr. Kole: Yes (Letters handed to the Commissioner).

Commissioner Pike: These letters were published, were they?

Mr. Kole: I believe they were in the Financial Chronicle, and I directly refer your attention to the dates of them.

The Chairman: Will you state those dates for the record? I have the letters here before me. The letter from Mr. Fish to Mr. Chapman is dated May 18, 1944, and the reply is dated June 6, 1944.

The Chairman: You may proceed, Mr. Kole.

Mr. Kole: If you will contrast these letters of May 18, 1944, and June 6, 1944, with the letters of the Board of Governors, dated Oct. 25, 1943, and Nov. 9, 1943, you will observe this condition, that in the letters of October and November of 1943, there was a plain directive addressed in one instance to the Business Conduct Committees, telling them to apply this philosophy. There is no question about that. The letters so state; and in the other instance the members of the NASD—the members were notified that that 5% philosophy will be so applied by the Business Conduct Committees; but here on the eve of the hearing before you gentlemen, there is a bit of hedging. The philosophy is called a desirable objective or yardstick. Someone must have called the attention of these gentlemen to this matter that I have urged, that an interpretation involves the element of personal volition, and I think here is an attempt, and I believe a designed attempt, perfectly timed, to create in the interpretation an element of the volition which never existed and was never intended by the letters of October and November of 1943.

I call your attention to another provision of the source material, the Maloney Act, and this time it is Subdivision (j) dealing with rules:

"Any change in or addition to the rules of a registered security association shall take effect on the 30th day after the filing of a copy thereof with the Commission or upon such earlier date —"

I am not going to read this further because the Commission, of course, knows the section, but the point I wish to make is here again, not in the rules of NASD, but in the statute from which NASD gets its very birth; provision is made that the rules must be approved by the Securities and Exchange Commission, and it is my contention that in the failure so to do and in the dubbing of this 5% spread philosophy as an interpretation, there was a designed and preconceived attempt to completely by-pass the jurisdiction of the Securities and Exchange Commission.

In your order, gentlemen, you have included the phrase "Whether the Commission should take any action pursuant to Section 15 (k)." I presume that that is a rhetorical question pretty much like the editorial "We." The statute makes plain your duty in the matter, and I think that since a rule was established or created without submission to you, that under the terms of the statute you are obligated and in duty bound to abrogate the rule.

I put it that strongly, gentlemen, not because there is any intention on my part to dictate to you what your duties are, but I put it that strongly because it seems to me that the interpretation is very plain and that the duty is not an elective one but is completely mandatory.

Gentlemen, I want to refer for a moment to something I said during my opening in a challenge to the Panel, in what I said then, I want to emphasize now, there was not the slightest intent to be discourteous or to suggest an iota of reflection against any member who is now sitting and presiding at this hearing. I conceived it to be my duty in the interest of my clients to make that statement, and I believe that anyone who is intent upon due performance of his duty would have done and should have done the very same thing, and because of that, I am going to make another statement which I hope, gentlemen, you will not take adversely, and you will not think for a moment it is intended to cause any reflection—but I want to show you how, in my opinion, things of this sort that have occurred with respect to the spread limitation rule, how they find their origin, and why my original motion addressed to the Panel was made.

Sometime ago in the U. S. District Court for the Southern District of New York, on behalf of the defendant, I tried the case of Hallgarten against Lee, and in that case the question of profit limitations was directly involved. The plaintiff brought an action under the appropriate section of the Securities Act to declare void a certain contract for the purchase of oil royalties; and the subject of mark-ups was involved.

I refer to the case particularly because in that case the Securities and Exchange Commission, which was no party at all—it was entirely a civil matter between two individual parties—undertook to serve a brief after getting leave from Court, a brief amicus, and in that brief amicus the position of the SEC was stated in this way:

"Thus a statement by a dealer with respect to the price of a security carries with it the implied representation that that price bears some reasonable relation to the prevailing market price."

That was the Commission's point of view.

This subject of market price enters directly into the situation and is terrifically important, and I believe that "the philosophy" has some relation to what occurred in that case.

In that case there was introduced in evidence the National Quotations Sheets, and, as you know, those sheets bear no record of sales at all, just offerings and bids, and when the Court got through it found those sheets established—those were its findings—no market price at all either between dealers or between the public and dealers. The Court so held in its findings, so that the Securities and Exchange Commission did not carry its point there.

Then there was another philosophy adopted, I don't know whether I would call it philosophy or a regulation, which attempted to create the situation that it was improper to take a spread, a certain spread, or an unconscionable spread between the purchase price (no longer market price), but the Commission set its index as the purchase price, and the sales price. In other words, in effect the purchase price was taken as an index of the market price, and nothing seemed to come of that to any extent.

Commissioner Pike: Was that in the same case, Mr. Kole?

Mr. Kole: No, I mean in other cases.

In this case, gentlemen, the Court held definitely that no market price was established, and may I point this out to you, which I think is startling, and I think the Commission will believe it to be startling; there was only one entity in the entire world that could possibly have established the market price with respect to those royalties, only one, and that was the Securities and Exchange Commission, because it had on file these G-Forms in which dealers and individuals—dealers who sell—report the sales, and it had them for all the country. Yet the Commission did not choose to offer any such proof at any time, so that the only source, and I think I say that advisedly, I would challenge anyone to demonstrate to me that there was any other possibility of establishing a market price. I mean by that, proper expert testimony.

The Commission could do so, but did not choose to do it. What I am trying to make clear is that the Commission has been trying, and trying hard, to arrive at a formula of some sort, and perhaps advisedly so, I express no opinion on the subject, against unconscionable mark-ups, and I am not in sympathy at any time with unconscionable mark-ups. I felt that under those circumstances it would not have been unusual for them to cooperate with the NASD in an effort to arrive at such a formula.

I felt it was their duty to do so, and that is why my motion was addressed to the Panel.

Now, why did I feel it was their duty to do so? Gentlemen, if I say to you that in some respects the NASD has greater powers than the Securities and Exchange Commission, I wonder what you would say to that. Let me demonstrate to you that that is the fact. If you were to send out a questionnaire to me as a broker, and ask me to fill it in, supposing I did not do it, what could this Commission do about it? You have a right of visitation. You can come in and examine my books. That is my duty. I have to show it to you, but can you compel me to answer your questionnaire? I know of no such power in the Commission.

On the other hand, let me demonstrate to you the fiat that is used to compel the answer to questionnaires on the part of the National Association of Securities Dealers, that they sent out.

Here is how it operates. They make the point that membership in the Association is purely a voluntary act, and from the fact that you are required to fill in an application, it would seem that it is. Under the terms of the By-Laws, you agree, upon entering into that membership, to comply with the By-Laws, and if under the By-Laws you are required, or by any regulation, to fill in questionnaires you, by your voluntary membership, have agreed to do so, and your failure to fill it in constitutes a breach of your contract or covenant, and therefore you are subject to discipline, and by the way, this Commission has upheld that right in the Gleason case, that it is the duty upon the part of members to answer questionnaires.

Now, the point that I make, is membership in the NASD really voluntary? Let us see whether it is. Let us examine one or two things. Some men make their livelihood almost exclusively in the securities field by participating in underwritings. Under the terms of the statute, participation in underwritings, in so far as membership in the NASD is concerned, has virtually become a monopoly. Now, if that man tries to get his slice of business, which would make it possible for him to earn a living, is that a voluntary act, or is it a compelling necessity, that his bread and butter compels him to join?

You have another monopolistic provision that is enjoyed under the statute by the members of the NASD. They may deal with themselves along certain lines involving certain financial increment, but as to non-members, they must treat them as members of the general public.

Now, if a man finds it necessary to share in that increment, to share in that money, if it is a compelling necessity because of his livelihood, is his membership voluntary?

I point to these things for the more compelling reason that because of that odd situation, because of the horns of this dilemma that is presented, the duty is all the more imperative that any attempt to by-pass the requirements of the statute and the jurisdiction of this body should be scrutinized with the greatest degree of care.

Now, gentlemen, you are in an

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Why Spokesmen At SEC Hearing Held NASD "5% Spread Philosophy" Constitutes A Rule And Should Be Abrogated

(Continued from page 2601)

awkward position yourselves, I say "awkward" I think, correctly.

The statute directs you to work with the NASD. In effect, you both have the regulation of the securities field under your supervision, and as I pointed out in at least one instance, the NASD has greater power than the Securities and Exchange Commission.

You have that injunction under the statute. You are required to do so. It is your duty to do so, and providing those functions are properly exercised, there cannot properly be any criticism of your duty. But, you have an anomalous situation, because of your position of trust, and only metaphorically an interlocking directorate, although none, in fact exists. Your position of trust is all the more poignant and presents all the more forcibly the reasons that you must bend backwards, as I see it, in the performance of your functions. The securities field looks to you for proper regulation, for aid in the performance of its duties. It doesn't want to be let down. It feels that it has been seriously let down by the NASD.

Now, gentlemen, I am not going to address myself to other legal phases which are embraced within the issues raised in the terms of our petition, but no matter how you find, excluding the first two issues, you are presented with quite a number of others, all of which, in my opinion, you must deal with and make some disposition of.

I am not going into a larger question, but one that deserves some consideration, only to mention it, that under our philosophy —and by this I mean a true philosophy, and not any attempt to by-pass — the Courts have held again and again that a man is entitled to follow his occupation without any improper restraints.

Whether you regard the rule as an improper restraint in itself, or whether you feel, in the absence of its being a restraint in and of itself, the manner of its improper and illegal passage, contrary to the provisions of the Maloney Act, contrary to the provisions of the by-laws of the NASD, that such improper practices considered, is in itself a restraint.

I have this additional thought, gentlemen, and I think that is where we are tending.

Mr. Dunne spoke of a ceiling on profits. I make the point that in the 5% spread, the element of profit may be entirely absent, that I don't think it was ever considered that it is purely a spread, but if that is the understanding of the President of the New York Security Dealers Association, and also of the member of the NASD who is connected with some of its enforcement committees, it is not unreasonable to believe that others may share the same view, and we may be heading or tending very clearly towards profit ceilings.

Now, today, it may be the securities field, tomorrow it may be apples or bananas or pianos or lighting fixtures. The danger is that if we get to that point, we may have a system of regulation that will permeate the entire American scene with wholly un-American rules and doctrines.

I submit to you, gentlemen, that this rule ought to be abrogated as promptly as possible.

Incidentally, it is not being enforced in some of the districts, and I do not think there is any secret about it, and I believe that the New York district is one of them. They are afraid of it. It is dynamite. I respectfully ask that you grant me ten days or more, if possible, within which to file a brief, not only because of my other commitments, but, gentlemen, there is a personal and not a legal excuse here—I expect to be a father any moment, and I shall have to exercise some time in that direction.

I would like you to be generous in that direction if you possibly can. The more time you give me, I would be very grateful, — two weeks, if possible.

The Chairman: Mr. Kole, we will give you two weeks, within which to file a brief.

Mr. Kole: Thank you.

The Chairman: May I ask you one or two questions? I am not sure the record clearly shows the composition of the Committee you represent. Would you state for the record the number of members of the Committee?

Mr. Kole: Gladly. I will tell you the exact composition and its makeup. I would be glad to have you take testimony, if you like, on that subject.

The members of the Committee who are directly governing its activities are the three petitioners. They have had a number of other applications to join, and they have had about 82 contributions from dealers throughout the entire country, I think in almost every State of the Union, perhaps, with a couple of exceptions.

The Chairman: Are the three, shall I say, formal members of the Committee, Messrs. Baren, Helbig and Lichtenstein members of the National Association of Securities Dealers?

Mr. Kole: One of them is. Mr. Helbig is.

The Chairman: The others are not?

Mr. Kole: That is correct. The others are not.

Commissioner Pike: So your argument must necessarily go beyond the NASD itself. This rule won't affect, let us say, the other two members, directly. This rule or philosophy or interpretation?

Mr. Kole: Anything that the NASD does, affects every nonmember security dealer. That would take me into the question of trade custom and usage. This is an attempt to modify definite and fixed trade custom and usage, and that cannot be done except by statute and, of course, the NASD enjoys no legislative powers in that direction.

That brings me to a much broader argument. I do not want to take your time with it, because it is not encompassed in your order. Personally, to get my point of view,

I believe the NASD is a nonlegal entity and I think that some days it will be so decided, but let me not burden you with that at this time.

I think it is clearly violative of a number of our constitutional provisions, it and its activities, but that is aside. I will be glad to answer any other questions.

Commissioner Healy: You said, Mr. Kole, you have made a great many references to the 5% matter.

Mr. Kole: Yes.

Commissioner Healy: But so far as I can recall, you have not said very much about the statement in the letter of October 25 reading as follows:

"It shall be deemed conduct inconsistent with just and equitable principles of trade for a member to enter into any transaction with a customer in any security at any price not reasonably related to the current market price of the security."

Mr. Kole: Well, I have not referred to that specifically because it is nothing new. As I pointed out to you in the Hallgarten vs. Lee case that is just what the Commission stood for. That is what it presented in its brief.

Commissioner Healy: Are you finding any particular fault with that? Are you asking us to do anything about that statement?

Mr. Kole: Without holding myself down to the phraseology, I stand for the principle that I am opposed to unconscionable profits.

Commissioner Healy: The fact of the matter is that the Maloney Act itself says that the rules of the Association must be so written as to provide safeguards against unreasonable profits or unreasonable rates of commission or other charges.

Mr. Kole: May I point out to you, it states, "The rules"—it does not say "the interpretation." That is another reason why that is a rule and not an interpretation, taking that very quotation that you have just given us. It doesn't say that the interpretation shall be so written. It says that the rules shall be so written.

Commissioner Healy: It says "The Rules of the Association shall be designed to prevent certain things."

Mr. Kole: That is right.

Commissioner Healy: Thank you.

Commissioner Pike: Mr. Maguire, are you ready to proceed?

Introduction And Preliminary Proceedings

(Continued from page 2582)

which has been raised before us is one as to whether or not the action of the National Association of Securities Dealers constitutes a rule and whether it was properly adopted. That is a question which we feel we could have decided without hearing anyone. We were asked to hear counsel and representatives of interested parties.

Among them is your Securities Dealers Committee. If you don't wish to be heard, I think you should say so, Mr. Kole.

Mr. Kole: The fact is that we do wish to be heard, and if we had not wished to be heard, we would not have, in the first instance, filed a petition.

The Chairman: I take it so.

Mr. Kole: But I do not think it is unreasonable to suggest by my application that any of those who participated in the promulgation of the rule ought, as a matter of right and justice, not to render any decisions or judgment on the philosophy or the questions that have been raised before this Commission. I believe that is a matter of common judgment. Judges frequently disqualify themselves for causes less than that because under those circumstances . . .

The Chairman: Do you wish to be heard, Mr. Kole?

Mr. Kole: Of course, I wish to be heard.

Does the Commission wish to make any statement on the point I have raised, besides what has already been said?

The Chairman: No.

Mr. Kole: Then I assume, from the failure of the Commission to make any statement, that the members have not in any way participated in the promulgation of that rule.

Now, during the course of the pendency of this matter, I have exchanged certain communications with the Commission. I refer respectively to my letters addressed to the Commission of June 5, 1944, and my letter of June 8, 1944, and the answering letters of the Commission dated respectively June 7 and June 9, 1944.

In that exchange of correspondence the Commission made certain rulings. I desire at this time to note my exception to the following rulings of the Commission; first, its failure to grant an adjournment; second, to the refusal of the Commission to appoint a Trial Examiner to take testimony in New York; third, its refusal to grant my application for 10 days after the hearing within which to file a brief; and fourth, the indication of the Commission or its ruling that it will hear only oral argument at this hearing and will not take testimony.

The Chairman: If you desire to renew your motion to file a brief at the close of the argument, we will entertain that.

Mr. Kole: Thank you, sir. You were gracious enough to so indicate in your letter at the time.

Now, then, I have just one more objection. In fact, it might be called two objections or exceptions that I desire to place upon the record; and that is to the form of the order that was entered by this Commission.

In the first place, in effect, the Commission's order creates a consolidation of a resolution and a letter that was sent to the Commission by the New York Securities Dealers Association and of our petition, the petition of the Securities Dealers Committee. That effects a partnership without agreement. The consolidation was not applied for either by the New York Security Dealers Association nor was it applied for by the Securities Dealers Committee.

That consolidation, I maintain, could not legally and properly be effected without notice and an opportunity to be heard.

You have saddled upon us, in effect, a partner. Their proceeding may have some bearing upon what we intended to do—a nartner who is not agreed with us in all the claims that are made since their claim is limited, as I understand it, solely to the question of the failure of the National Association of Securities Dealers, to submit the rule to the franchise of its membership.

My other ground of objection to the order is that I conceive it to be the plain duty of the Commission, when issues are raised, to determine all of the issues, or if it has no jurisdiction as to some of them, to clearly so state.

Our petition, i.e., the petition of the Securities Dealers Committee, raises a number of issues. The Commission has abstracted one of those issues, that is "Rule or interpretation." My objection is that there is a failure to make the order broad enough to pass upon all of these, and my last objection is that in the order there is a recital of certain disclosures of the official files of the Securities and Exchange Commission.

The order commences: "The Commission's official files disclose that . . ." and then there are a certain number of recitals. That in effect is taking what we call in common legal parlance "judicial notice" of certain things. I am not concerned for the moment with the power of the Commission to take that judicial notice. But it is my contention that when such judicial notice is taken, the order must specify whether that is all the judicial notice that will be taken of the Commission's official files because I have no way of determining, after this hearing, what other judicial notice of matters the Commission will take, and I think the taking of such notice might be deemed improper in the absence of evidence or testimony.

Therefore, I object to the order and except to the form of it and to its contents in that respect.

Those are all the objections I have.

The Chairman: Your several objections will be noted.

Mr. Dunne, do you wish to proceed?

Oral Argument Of Frank J. Maguire

(Continued from page 2582)

has been put, not alone in the execution of the particular order which might be executed, but also in research, study, analysis, of the fundamental values involved in the security which is the subject of the transaction.

Now all of that, as we perceive it, is adequately covered by Rule 4 of the rules of Practice, and the change of Rule 1 is entirely unnecessary.

The fundamental purpose of the rules of fair practice ought to be the protection of the investing public. That purpose is not served by so limiting the dealer's livelihood or the limits within which he may attempt to eke out a livelihood, as to make it economically impossible for him, adequately to examine, appraise and service his customers' investments, properly to advise those who seek his counsel. Emphasis on price anyway is a dangerous guide. It tends to neglect intrinsic values. It may be enough for today's transaction of the in and out speculator, but it is not enough for the investor, nor is it enough for the investment banker who serves him. Both of them have need for, and it is the dealer's function to seek out and furnish, information as to those more important elements of real value, the character and capacity of management, long-time earnings prospects, and things of those kinds; research in advance and continuous contact with an investment thereafter is very frequently necessary, as we all know.

In such activity, over a period of years, they cannot be compensated for on any arithmetical or arbitrary percentage rule of spread.

In the case of my clients, there come to mind four cases, two of them covering a spread of 12 years, one covering a spread of 10 years, and the fourth a spread of eight.

Two of them involve a participation in reorganization plans, representation in the management; in fact, the actual furnishing of top management.

All of them have resulted in successful business enterprises. All of them have resulted, too, in profitable investments by the firm's customers. It no doubt is true that an examination of those rewards that the dealer reaped in those cases would result in approval of all of the actions that he has taken, but that ought not to be a matter of the grace of any Sovereign. The dealer ought not to be placed in a position where it is prima facie guilty and compelled to defend itself as in a quasi-criminal matter.

The rule on its merits is not good morality and it is not good economics.

Even if it were, the method of its adoption, we think, is fatal.

To begin with, the statute makes the registration and recognition of the NASD or any other such association dependent upon conformance with the statute. The Association by-laws provide for submission to the vote of the members of any rule or any amendment of any rule.

Now, Rule 1 is a high-sounding and proper rule to which no reputable dealer, in fact to which no right-thinking or honest citizen, could possibly have any objection.

That rule has been adopted and properly adopted.

Now, the Oct. 25, 1943, interpretation is questionable. It refers only to current market price. It does not weigh other factors, equally important.

The Nov. 9, 1943 interpretation, if not a rule, then it appears to be an interpretation of an interpretation. Now, neither of those was submitted to the members as has been so often stated here. Taken together, the two interpretations amount to a substantive change of the rules, and if rules can be so changed the Board of Governors can, by interpretations, so-called, add to or subtract from this or any other rule at will, and require members at their peril to conform with them.

Now, giving the Board of Governors entire credit for good faith and for an honest belief that this or any other change is in the interests of the investing public and of the Members of the Association whom they represent, the Board still had no such power. It assumed to exercise a power that did not exist. Its action should be treated as a nullity. The alternative to democratic processes in the adoption of the Rules of this Association seems to be, to vest the Board of Governors with plenary powers of regulation and to eliminate the membership's right to be heard.

Now, even if that would be a good idea, which we think it would not, the by-laws do not so provide.

The Rule, the basic rule of fair practice now reads differently from the form to which the membership has subscribed. The membership has not been heard on that change as the by-laws clearly provide.

The objects and purposes of the NASD, as stated in its certificate of incorporation, include, to promote self-discipline among members.

Now, it is not self-discipline if 85% of the members oppose a rule and have it forced upon them by interpretation which is a tortuous construction of a rule already adequate.

That 85% is not my figure. I am not responsible for it, nor is my client. You gentlemen have no doubt seen, as I have, that figure published.

That is why I say, if it is true that 85% of the members oppose it, it is not self-discipline.

Now, the by-laws, in Article VII, Section 1, require the Board of Governors to submit forthwith to members for their vote, any rules or amendments, and I emphasize the words "or amendments," whether called by that name or called interpretation or called anything else. Anything which changes the import of a rule is in practical effect an amendment, and it should be submitted.

The rule, as it reads after that amendment, it a matter on which the members' franchise should be exercised, and that has not been done.

In the exchange of letters which has been referred to previously in these proceedings by Mr. Dunne and by Mr. Kole, I sense a willingness to retreat in part from the compelling nature of the Rule.

The Chairman: Are you referring to those letters of May and June of this year?

Mr. Maguire: I am.

The Chairman: Between Mr. Fish and Mr. Chapman?

Mr. Maguire: Yes sir.

Here we have an interpretation of an interpretation of a Rule.

Now, I suggest that it is entirely too late for retreat. Either the enactment is valid or it is not, and we think it is not.

We think that brings us to the Commission's jurisdiction and function in the matter which I say, as has been stated before, is to consider this matter, to conclude that the rule is and should be declared a nullity. It not only has back of it no good economics or good morality, it does not have good law back of it either.

It seems to me to be the plain duty of this Commission to order that the rule or its interpretation, by whatever name it may be called, that that order be abrogated and abrogated forthwith.

I would like the privilege also of filing a brief, if I may, Mr. Chairman, and for my purposes, the two weeks that you have already granted Mr. Kole would be, I think, adequate.

The Chairman: I think that we will extend that privilege to all persons appearing.

NASD Attitude

Association's Counsel Asks Permission To File Brief "If We Should Find It Necessary Or Would Like" To Do So. Original Request Denied Owing To Objection Voiced By Edward A. Kole, Securities Dealers Committee Counsel. SEC Chairman Ganson Purcell Finally Granted All Interested Parties In Attendance Two Weeks In Which To File Briefs, Which Are To Be Exchanged, And An Additional Week For Making Reply.

After Attorney Frank J. Maguire had completed his oral argument, SEC Chairman Ganson Purcell inquired if anybody else desired to be heard on the subject matter of the hearing. Thereupon, Stephen C. Thayer of Baker, Hostetler & Patterson of Cleveland, Ohio, Counsel for the National Association of Securities Dealers, Inc., addressed the panel:

Mr. Thayer: My name is Stephen C. Thayer of Baker, Hostetler and Patterson, Cleveland, Ohio, counsel for the National Association of Securities Dealers, Inc.

Mr. Chairman, if, after reading the transcript and examining the briefs to be filed by Mr. Kole and Mr. Maguire, we should find it necessary or would like to file a brief, we would like to have permission to file a brief two weeks after the briefs of Mr. Kole and Mr. Maguire are filed.

Mr. Kole: May I suggest that if any briefs are filed, they be exchange briefs? I think the proper procedure would be to give all parties two weeks and have them file exchange briefs instead of extending the time for a reply brief and then making it necessary for a further extension to reply to the reply brief.

Mr. Thayer: We would like to have an idea of what the arguments are that are going to be advanced.

Mr. Kole: We have advanced them here.

The Chairman: We will allow all parties interested, appearing here, two weeks in which to file briefs. They will be exchanged at that time.

Mr. Kole: Thank you.

The Chairman: After that, there will be an additional period allowed of one week, should any of the parties or persons appearing wish to reply to any of the briefs.

Commissioner McConnaughey is necessarily absent from the City today. Unless there is some objection, we would like to have him participate in the determination of this matter, on the understanding, of course, that he read the transcript of this argument, and the briefs filed subsequent thereto.

Is there any objection?

Mr. Kole: I have no objection upon condition that I do not waive my original objection to the panel, on the grounds stated by me originally. With that one proviso, I have no objection.

Commissioner Pike: I think Commissioner McConnaughey is the one that it would not apply to, because he was not on the Commission until January.

Mr. Kole: I hope you are not telling me that it applies to the other four members of the Commission.

Commissioner Pike: It could not possibly apply to him.

The Chairman: There being no further argument, the matter will be taken under consideration.

(Whereupon, at 12:10 o'clock p.m. the oral argument in the above-entitled matter was CLOSED.)

Canadian Securities

(Continued from page 2599)

Ontario and Quebec, which provinces have hitherto provided the main opposition to this measure, the menace to themselves of the increasing growth of the C. C. F. in the western provinces?

Undoubtedly the threat to the Liberal government is now plain even to the most apathetic, and Mr. King now has his cue to go to the country on a vital issue. The implication of the Sirois Report would be tantamount to clarifying the constitution of Canada, would rectify the grievances of the West and bring back into the fold the dissident Liberals who have recently voted C. C. F. in protest, and would enable the western provinces, the Dominion's greatest hope for the future, to enter the post-war period with the backing of the Federal Government for the full development of the great resources of this section of the country.

The more one studies the complex factors that make up the Canadian political situation, the more it appears likely that such a step on the part of the Liberal government would be successful, and in any case, it would jeopardize the C. C. F. movement throughout the country. Canada obviously has not been immune to the effects of a world-wide political swing to the left, but conflicting elements in the situation, notably the traditionally conservative province of Quebec with its 65 seats in the legislature, guaranteed both by the Quebec Act of 1774 and the B. N. A. Act of 1867, will prevent any extreme movement in this direction.

Moreover, Mr. King, possibly the nearest to the left in the Liberal government, has already stolen much of the C. C. F. thunder, and his recent statement at the Dominion Premiers' Conference in London with regard to Canadian foreign policy received the acclamation of all parties throughout the Dominion, and a similar display of courageous statemanship in the domestic field can hardly fail to achieve the same result.

Before dismissing the question of the Saskatchewan election, it is interesting to note a few of the remarks made at a recent press conference by Mr. T. C. Douglas, Premier-Elect, of the province. The C. C. F. leader said the C. C. F. program would be worked out by stages, that his party did not believe in socialization for the sake of socialization, that there would be no "witch hunt" of civil servants and, as far as the civil service was concerned, the only test would be honesty and efficiency, and that the new government proposed to proceed at once in encouraging the establishment of new industries in Saskatchewan.

With regard to the C. C. F. party in general, it can be stated briefly that it represents broadly a farmer-labor movement which favors a cooperative system of industrial development, but would leave a large measure of manufacturing in private hands. Mr. M. J. Coldwell, the C. C. F. national leader, described the C. C. F. as analogous in character to the British progressive labor movements.

Turning to the market for the past week, there was again little to record. Activity in the external bonds was at a minimum and prices were slightly lower generally. There was also a decrease in turnover in the internal issues and the Canadian dollar in the "free" market declined to 9¾% discount. This weakening of the rate can be probably ascribed to the natural reaction following the large speculative purchases at 9⅛%, at which level exchange could be freely obtained from official sources. Further more, hopes of an imminent change in the parity based on unusual delay in the bringing down of the Canadian budget and the pending Bretton Woods monetary conference have received little substantiation.

During the course of the Fifth Victory Loan it is unlikely that there will be any change in the present apathetic state of the market, but it will not be surprising if the time is not far distant when constructive political developments within the Dominion will lead eventually to a greater degree of balance between the various sections of the country, whereby the western provincial economy will be immeasurably strengthened.

Attractive Situation

H. H. Robertson Company offers an attractive situation (the issue is tax free in Pennsylvania), according to an interesting memorandum being distributed by Buckley Brothers, 1529 Walnut St., Philadelphia, Pa., members of the New York and Philadelphia Stock Exchanges. Copies of this memorandum may be had upon request from Buckley Brothers.

Now A Partnership

LOS ANGELES, CALIF.—Barbour, Smith & Co., 210 West Seventh St., formerly a corporation, is now a partnership. Partners are Carl M. Purcell and Brian F. Neary, general partners, and Jack M. Barbour, limited partner. All were officers of the predecessor corporation. Mr. Barbour is now a Lieutenant in the U. S. Navy.

N. Y. Finance Institute Lecture On S. America

On June 26 C. Lester Horn will speak on the East Coast countries of South America, at the New York Institute of Finance. The lecture, principally on Argentina and Brazil, will be accompanied by motion pictures. Reservations should be telephoned to the Institute at Hanover 2-5830 (admission 50 cents).

Appointed To Post By Presbyterian Hospital

L. B. Henriques

Laurence B. Henriques has been appointed Assistant Secretary and Treasurer of the Presbyterian Hospital in the City of New York, effective July 1. Mr. Henriques, connected with Kidder, Peabody & Co., for the past 24 years, has been assistant manager of their uptown New York office since 1931.

Supreme Court Decision Against Fire Ins. Cos.

Huff, Geyer & Hecht, 67 Wall Street, New York City, have issued a most interesting booklet on the Supreme Court decision against the fire insurance companies, discussing certain benefits which may result from the present controversy and the outlook for insurance stocks. Copies of this booklet may be obtained upon request from Huff, Geyer & Hecht.

Attractive Situation

Submarine Signal Company, a pioneer in the development of sound-detecting equipment, offers an interesting situation according to a memorandum issued by Hornblower & Weeks, 60 Congress St., Boston, Mass., members of the New York Stock Exchange and other leading national exchanges. Copies of this memorandum may be had upon request from Hornblower & Weeks.

Utility Attractive

According to a detailed circular on the situation prepared by Ira Haupt & Co., 111 Broadway, New York City, members of the New York Stock Exchange and other leading national Exchanges, Queensborough Gas & Electric Co. 6% preferred offers attractive possibilities. Copies of this interesting circular may be had from Ira Haupt & Co. upon request.

Will Rail Credit Be Restored?

(Continued from page 2579)

tween the extremes, I shall endeavor to explain.

In the first place, what we should attempt to keep in mind is a definition of "credit." Should we consider credit as solely the market's evaluation of a road's bonds in terms of price? Should we consider a road's credit definitely restored if its bonds sell in the neighborhood of par? To both these questions, I suppose the answer normally would be "yes." But the rail situation for years has hardly been what could be called normal, either in the 1930's or in the warring '40's. Further, it should be remembered that in 1936 and 1937, prices of junior railroad bonds attained levels which superficially might have given the impression of fully restored credit. Yet if one took the slightest trouble to examine earnings records and balance sheets, it would have been exceedingly difficult, if not impossible, to conclude that rail credit had been restored. In the final analysis, prices then reflected nothing more than hope of further improvement in earnings.

No we are faced with a situation which statistically is far different from that prevailing seven years ago. Fixed charges are being earned by comfortable to wide margins, treasuries are bulging, and debt is being retired rapidly. Yet enough railroad bonds, particularly among the junior issues which really furnish an index of credit, are selling far enough below par to indicate lingering doubt over the financial future for the carriers. Even if over the months ahead, these junior issues were to recover further, I do not think we would be justified in assuming that rail credit had been restored. It would be well to bear in mind that current strength for many issues reflects company buying, withdrawal of offerings, a scarcity of other forms of bond investments providing adequate returns, and purchases by speculators who are counting on selling at higher prices because of these aforesaid influences. These form an unstable background for the price structure. Growing confidence in the position of the railroads is of course an important factor, too, in the price improvement, but it is hardly as dynamic an influence as the other considerations. Retirement through company purchases and redemptions of around $1 billion of mortgage debt in the last two years, and prospective withdrawal of another $400 to $500 million this year, is bound to absorb the floating supply of the most cheaply offered bonds. It is also reasonably certain that when such bonds as the Chicago, Burlington & Quincy, Illinois division 3½s and 4s and Republic Steel 4½s are refinanced partly or entirely through private placements, income hungry bondholders who are being paid off turn to rails at present. Thus we are faced at the moment with the spectacle of very much of a one-way street for rail bond prices.

True restoration of rail credit is going to require a sounder basis than merely near-term price recovery. So long as such diametrically opposite views exist over the post-war outlook as prevail at present, there can be no true restoration of credit. Credit is something that takes years to establish and it is a safe assumption that war earnings, as such, will not restore it. Credit presumes an ability to meet interest even in bad times, which is a standing the railroads have not reattained. Moreover, the real test of credit standing is the ability to sell securities for raising new money, and at the present time there are few roads so situated. So long as the price structure for railroad bonds depends as much as it does now on a program of debt reduction, there can be no genuine confidence in railroad credit. Now, I grant this attitude may be drawing too fine a distinction of credit, especially where the feeling is strong that at a certain level, the debt would be supportable. However, let me emphasize that this theory in effect questions the existence of dynamic earning power and provides a dubious foundation for credit.

On the basis of my conviction as to what constitutes credit, I cannot help but conclude that railroad credit has not yet been restored. Now the next logical point is the question whether it is likely to be. Restoration of credit is not so much a matter of reduction in debt and fixed charges as an abiding confidence that whatever the level of fixed charges, they will be earned by a comfortable margin with a high degree of regularity as far ahead as can be seen. Also there must be an abiding confidence that if a few bad years occur, recovery of earnings will follow and financial position will assure servicing of debt in the interim. If such standards are adopted—and I cannot see how savings bankers, custodians of the people's hard earned resources, can adopt any other—restoration of credit at best is not a likely development of the immediate future. Credit, I want to emphasize, has to be based on past records. It cannot be based on hope for the future. That is solely a field for speculation. Any forecast as to whether credit is going to be restored inevitably must be tinged with speculation, for it can be supported only with one's personal view of what the future holds.

On this question of whether rail credit will be restored, let me repeat it is not the level of fixed charges that is the sole controlling factor. It matters comparatively little whether fixed charges are $600 million or $400 million. If we have to think primarily in terms of how much debt and fixed charges have been reduced, we should be cognizant of our negative approach to the subject. If it is necessary to rely upon reduction in fixed charges to preserve some semblance of credit, it can only be because of fear that earnings available for fixed charges may decline to successively lower levels. I do not mean to imply that railroad fixed charges have not been too high in the past. I think imprudent financing unquestionably has been a contributing factor in the decline in railroad credit. However, even if we eliminated all the clearly imprudent financing, fixed charges probably would have been only about $100 million less than they were. I am sure this would not greatly have altered the present standing of railroad credit. Now through debt retirement and reorganization, fixed charges may be lowered to around $400 million. There is no question that simply the reduction in charges is going to help railroad credit psychologically. From a pure investment point of view, such psychological improvement can be delusive if the main trend of earnings is downward.

In other words, what we must examine in order to reach a conclusion as to whether rail credit will be restored is the longer range outlook for revenues and expenses. Revenues are the product of units of traffic handled, multiplied by the rates received, while expenses consist mainly of wages and materials. How many units of traffic the railroads will handle depends on business volume and the extent of competition, while rates will be determined by value of service, cost of service and competitive influences.

The 1930's constituted an era of depression and this gave rise to a rather general belief that conditions would remain unfavorable, a conviction heightened by the length of the depression. In addition to the implication of a lower volume of available traffic, the railroads were faced with greatly increased competition. The depression, with millions of men out of work, provided an ideal setting for growth of the truck and bus industries for it was possible to hire men at comparatively low wages and for long hours. Furthermore, highway construction as a pump-priming and relief measure provided vastly improved facilities for speedier and lower cost service. Waterway competition likewise increased because of huge government expenditures for river and harbor improvements.

Largely because of this increased competition, the share of potential freight traffic handled by the railroads declined to around 78% in 1938, taking 1928 as 100. To some extent, the decline in the proportion handled by rails in the earlier 1930's no doubt was exaggerated by the relatively greater contraction in heavy industries as against the consumer goods lines. Much more important than the actual loss of traffic to competitors was the pressure on rates in order to retain traffic. From 1929 to 1940, the reduction in freight rates amounted to 1.31 mills per ton-mile which applied to 1940 traffic meant a loss of almost $500 millions in revenues. Extent of the diversion of passenger traffic is not so readily measurable, but in any event revenues in 1940 would have been approximately $250 million greater had 1929 average rates still been in effect. In other words, in simply a moderately satisfactory traffic year such as 1940, rate reductions alone accounted for a loss of around $750 million in revenues, compared with roughly $4.3 billion actually received.

In considering the post-war outlook it is worth noting that even before the outbreak of war, the railroads pretty much were holding their own with respect to the proportion of available freight traffic handled. Proportion of available traffic handled remained quite stable at around 78% to 80% during the five years 1934-1938 and then during the war rose to an estimated 85% or better because of diversion to the rails. While the rails no doubt will lose much of this purely war improvement, their post-war competitive position seems likely to be better than in the immediate pre-war years. Truckers have been feeling the effects of increased regulation and rising costs to even a greater degree than the rails and would be pleased to see the rails obtain higher rates in order to preserve their relative competitive positions. Recently the director of one of the leading roads of the country, which at the same time operates one of the most important trucking systems, told me that the trucking operations of his company did not show a profit, even though he felt that operations were conducted efficiently. He added that in view of this, he was quite convinced the trucking business must be in a bad way. This of course is very much in line with a number of published statements concerning the unsatisfactory financial results of the truckers. In the post-war period, it seems almost certain the rails will either obtain higher average rates or they will recapture business from the trucks. Higher average rates could materialize, not necessarily from a general rate increase, but simply through allowing reduced competitive rates to return to authorized limits. It has been estimated that such action could increase revenues by around $300 million annually if all so called depressed rates were allowed to expire. In any event, whether the rails manage to restore rates or regain traffic, they stand to benefit. The role of the truck in the transportation economy may well contract to short haul operations, where it is naturally fitted and generally superior to the railroad. How the rails will make out competitively with water carriers is a good deal more obscure, particularly with respect to coastwise and intercoastal shipping. Placing of most water competition under the ICC in accordance with the Transportation Act of 1940 is likely to be helpful to the rails. However, the huge number of ocean going vessels that will be available after the war seems certain to intensify coastwise and intercoastal shipping.

As a factor in freight traffic, the airplane is not likely to be important. Despite all the glowing comments made about air cargo, the difference in cost between air and rail is so tremendous, the airplane almost certainly will not be much of a competitor. Recently the base rate for air express was reduced from 80 cents per ton-mile to 70 cents, which is a far cry from the railroad average of less than one cent. Even if air rates could be brought down to as little as 10 cents to 15 cents, as some people in the industry believe possible, only a small amount of high rated freight would be subject to diversion and even this might be retained with moderate rate reductions. In general, the only freight likely to move by air will be that where speed is vitally important. That is likely to be a factor only with respect to a minute part of the traffic. Where the airplane is of constantly growing importance as a competitor is in the passenger business and in handling of mail. Ultimately the airplane may well take a very substantial part of first class passenger traffic and perhaps as much as one-half of the mail revenues of $100 million annually.

In summing up the competitive situation, I think it is safe to say it is much better than is generally realized, particularly in the very important freight end of the business. If this proves to be the case, it will go a long way toward re-establishing rail credit, for the bugaboo of competition has been a contributing factor toward loss of credit.

On the subject of rates, which are closely tied in with competition, I believe the downward trend has about run its course. From here on, I look for stability with moderate firming tendencies as competitive rates are raised to or closer to permitted maxima. General rate increases are unlikely unless earnings are at a low ebb. Since general rate increases simply will foster more intensive competition, the railroads will be better off if they do not have to seek higher charges. Rate increases may be likened to roses in that they appear beautiful and smell sweet, but are not without thorns. However, if rate increases are necessary, the ICC seems to have shown a disposition to grant them. The Commission of course now has an entirely new obligation to maintain an adequate rate structure in order to protect the capitalization it has created in the reorganization of railroads. While the outlook appears favorable for stable average rates, the rate situation is far from tranquil. The southeastern states have been waging an intensive fight for years to obtain lower class rates, rate committees have been subject to much criticism, and the Board of Transport Investigation and Research in its recent report to Congress called the rate structure a crazy-quilt of prejudices, favoritism and charging what the traffic would bear. From this furore, some changes may come, most likely lowering of southern class rates, if anything. Even this probably would not be too serious, for it could be offset by moderately higher commodity rates. The main trouble with southern class rates is simply a lack of understanding of the basic principles of rate making that low rates be given on products moving in large quantities and higher rates be applied to small quantity products. In the South, this principle has made for low commodity rates and comparatively higher class rates.

With the competitive situation on the mend and the rate structure likely to be reasonably stable or firmer, the major determinant of rail revenues will be the level of business. The outlook for business impresses me as being most encouraging for at least several years after the war. I know there are many people skeptical of the post-war business outlook because of fears of vast unemployment. They believe mustering out of our armed forces and discharging of war workers will cause millions to be jobless and bring new social problems. Admittedly there may be some dislocation for a short time following cessation of the war, but in general I consider these fears unwarranted because of the enormous pent-up demand for peace-time goods and services of all sorts, plus the financial ability to acquire them. Forecasts have been made that in the post-war era national income will amount anywhere from $85 billion to $120 billion. Pent-up demand holds forth definite promise of at least this lower level being reached. On the basis that railroad revenues consistently amount to around 6% or more of national income, gross would be in the neighborhood of $5 billion. From a speculative point of view, prospective gross of $5 billion or more for several post-war years is intriguing. Unless the country again is gripped by a catastrophic depression such as marked the 1930's, gross revenues of about $5 billion conceivably could be the "norm" in future years. Supporting this view is population growth and the physical requirements of reasonable standards of living.

Since revenues hold promise of attaining satisfactory levels, the crux of the earnings situation obviously lies in control over expenses. Here there can be employed little more than guesswork and informed judgment. By all odds the most important factor affecting earnings is the amount of wages paid. It is not so much the level of wage rates that is significant as the total that has to be paid in order to move the trains and keep the property in sound condition. The amount of labor required is determined by efficiency of operation as well as by the money available for work of this character. At this point it might be well to give consideration to the much publicized adjustment of 1940 earnings as computed by the Bureau of Transport Economics and Statistics of the ICC in the May issue of "Monthly Comment on Transportation Statistics." In this report, the Bureau adjusted 1940 earnings results to prevailing rates and costs and concluded that net operating income would have amounted to only $32 million and produced a net deficit of $446 million after fixed charges, compared with actual net operating income of $682 million and net income of $189 million. The principal factor accounting for the much lower earnings, according to the ICC calculation would have been the increased wage rates of the last few years. These increases, it is estimated, would have added $493 million to operating expenses, and higher costs for fuel and materials would have added another $185 million. These calculations make the obvious error of failing to take into account the remarkable improvement in efficiency and methods of operation that has taken place in the last three and one-half years. After all, it has only been in the last decade or so that economy of operation has been practiced extensively and in the last few years railroad management has become increasingly alert to developments promoting efficiency and cutting labor costs per unit of operation.

It is of course exceedingly difficult to measure specific changes

in operating costs, but let me cite some examples of the kind of thing that may be taken as indicative of the railroads' ability to keep costs within bounds. Only a few months ago, the Bureau of Transport Economics called attention to the fact that the percentage of switching hours performed by Diesel switchers had increased to 19%, compared with only around 10% in 1940. Since the operating economies achieved in use of Diesel switchers runs around 40%, the benefits of the trend toward Dieselization are obviously important. Diesels also are coming to the fore in road operation, for experience with them is revealing an exceptionally high degree of efficiency with corresponding operating savings. These 5,400 h. p. road Diesels are costly jobs, running around $500,000, but the operating economies are understood to be about $200,000, which fully justifies the high initial cost. Modern steam locomotives also are adding to the efficiency of railroad operation, with recent acquisitions accounting for between three and four times the average freight locomotive runs. Purchase of power machines and tools to displace labor and increase efficiency also has been continuing apace. Many roads still did not use such equipment extensively in 1940, but the trend has been toward constantly greater employment of these devices. Last year purchases of power machines and tools amounted to $12,300,000, compared with $7¼ million in 1940, and brought the total investment of this nature up to $120 million, of which $33 million has been expended in the last three years. Improvements in the last few years in yard facilities and prospective maintenance savings on new cars and locomotives open entirely new avenues to reduction of expenses. So also does the progress in metallurgy and the use of lighter materials, as for instance the construction of freight cars weighing five tons less than formerly. I think, too, it is an interesting commentary on the new alertness of railroad management that radio and inductive control devices are being installed, with extensive application of radar also in the offing. These developments hold exceedingly interesting prospects for cutting costs of operation insofar as they will expedite train movement, reduce labor requirements and increase safety. I think it is conservative to estimate that increased efficiency will enable the railroads to handle gross of $5 billion with no more than 1 million employees, which would represent a reduction of about 10% from the number required to handle this volume of traffic in 1941.

Although costs of operation undoubtedly will be high in the post-war era, I am confident that given sufficient volume of traffic, —which I think the railroads will have—earnings will be favorable. On gross of $5 billion, I anticipate earnings available for fixed charges and Federal income taxes could easily average in excess of $1 billion. How much over this level they might run will depend, I think, on the amount of new rolling stock acquired. For some time I have felt that the hard usage to which cars and locomotives have been put by the heavy war traffic is a blessing in disguise for the railroads. When the war ends, repair of much old equipment will be uneconomic and large amounts of new equipment almost certainly will have to be acquired. On this new equipment, which the railroads will be able to buy out of their large cash holdings or through sale of low rate equipment trust obligations, maintenance expenditures will be extremely low for the first five years.

From my analysis of prospective revenues and expenses, I can not help but feel that the credit of the railroads will be restored. But since I have indicated before that restoration of credit requires a historic record, not simply a projection of earnings estimates, I anticipate that true restoration of credit can not materialize until after the war. From a shorter term point of view, it is entirely possible that railroad earnings will be poor immediately after the war if we have to go through a transition period. Such a development might easily shake the growing investor confidence that has accounted to a considerable degree for the prevailing higher bond prices. Of course, carry-back provisions of the tax laws will be helpful if they are not repealed.

Now let me sum up briefly the views I have set forth thus far. In the first place, I made the statement that rail credit has not been reestablished to date. In the second place, I have concluded that the outlook for restoration of credit is favorable, notwithstanding the greatly increased costs of recent years.

If we accept the thesis that rail credit has not been restored, but probably will be over a period of years, the question that naturally presents itself is what policy should savings banks follow with respect to rail bonds. On this matter, I believe the most important factor to bear in mind is that while the outlook for restoration of railroad credit is favorable, it has not been achieved. To my way of thinking, it is not within the province of savings banks to speculate on whether rail credit will be restored. Quite possibly the optimistic point of view I hold concerning the future of the railroads will not materialize because of influences that can not be appraised properly at this time or which do not yet exist. In other words, I want to emphasize that this is a good time to be cautious and to re-examine bond investment policy with a critical eye.

Investment policy always consists of two segments, the first being the problem of new investment and the second being the problem of what to do with existing commitments. Let me discuss the second of these first, because it is a subject in which I know you are vitally interested. Having examined your legal list, I am of the opinion that you need not be concerned over any of your eligible rails. Most of them are of top grade and the comparatively few not in this category without doubt are sound credits. Your problem is mainly one of what to do with issues no longer eligible. So long as you are not required arbitrarily to dispose of all such issues, you are in the position of being able to exercise a good deal of discrimination. Certain ineligible bonds clearly are sufficiently sound, from either a mortgage or credit position, that there is no compelling reason to dispose of them. All other issues, however, comprising junior liens and even first mortgage obligations which have had an unstable price history and are not cushioned by substantial amounts of junior mortgage bonds should be earmarked for sale. In disposing of such securities, timing of course is not to be ignored. It would have been unwise to press sale when they might have been selling at enormous discounts from par value, but where they are selling at only moderate discounts at present, it would be equally unwise to continue retention. Something more of a problem is presented in reaching a decision as to when to liquidate issues still selling at considerable discounts. It is only human to try to obtain the best possible price, but if as a result of setting too high a figure, the opportunity to sell at even a fair price may be missed completely. For those unwilling to dispose of lower medium grade bonds around prevailing prices, at least some sort of compromise policy, such as scale liquidation or arbitrary sales each month, would be in order.

If lower grade rail bonds should decline sharply when the war ends and then not recover because post-war rail earnings fail to come up to optimistic expectations, those who have failed to take advantage of the opportunity to liquidate may be subject to a good deal of criticism. To have missed the 1936-1937 opportunity reasonably could be condoned, but to miss a second opportunity would be difficult to explain. I want to reiterate that it is not the function of the savings bank to speculate on price when a satisfactory price can be obtained for a security possessing at best only dubious merit. Depositors, I am sure, do not expect their trustees to adopt anything but a conservative point of view. It took a great world war to bring railroad bond prices to their present levels and that is now entering its final stages. If post-war rail earnings are unsatisfactory, it is hard to see where the next impetus for price recovery could develop. The penalty for overstaying the market could be out of all proportion to possible further gain.

As for the problem of making new commitments, I have no doubt savings banks feel circumscribed by their legal lists, though I shall say for your Massachusetts legals, they provide some latitude for improving yield while restricting selections to sound credits. Your Clause 15c, permitting the addition of certain issues not meeting the statutory requirements, is sound in principle and is a measure I have favored for some time. I think many sound underlying issues which would not be in danger of scaling down, even in the event of reorganization, properly can be considered sound investments. The change in your law making new fixed interest reorganization bonds eligible investments in many instances is another enlightened step, for it gives banks an opportunity to invest in these situations years before they otherwise could. With few exceptions, the new first mortgage reorganiaztion issues are going to be so well protected by property values and probably also by earning power that the risk factor is virtually non-existent.

Attractive Situations

Ward & Co., 120 Broadway, New York City, have prepared circulars on several situations which currently offer attractive possibilities, the firm believes. Copies of these circulars, on the following issues, may be had from Ward & Co. upon request.

Du Mont Laboratories "A"; Merchants Distilling; Crowell-Collier Publishing; P. R. Mallory; General Instrument: Long Bell Lumber Co.; Great American Industries; Mid-Continent Airlines; Massachusetts Power & Light $2 preferred; Majestic Radio; Magnavox Corp.; Brockway Motors, Mohawk Rubber, and American Export Airlines.

Interesting Speculation

Philadelphia & Reading Coal & Iron Co. is one of the most interesting speculative reorganizations according to a detailed memorandum on the situation prepared by Vilas & Hickey, 49 Wall Street, New York City, members of the New York Stock Exchange. Copies of this memorandum, discussing the profit potentialities of the old issues, and the possibilities for new securities may be had upon request from Vilas & Hickey.

Bright Possibilities

Giant Portland Cement is a low-priced stock in an industry with a bright future and offers interesting possibilities, according to a circular prepared by Lerner & Co., 10 Post Office Square, Boston, Mass. Copies of this circular may be had from Lerner & Co. upon request and also a circular on Riverside Cement class A which the firm believes is an outstanding cement stock with a dividend arrearage.

Tomorrow's Markets Walter Whyte Says—

(Continued from page 2583)

structure becomes top heavy, totters and falls.

* * *

The one good thing about the present market is the action of the leaders. Stocks like Chrysler, U. S. Steel, American Tel. & Tel. and du Pont are not public stocks. It takes real money and a lot of it to buy them. And the public with its eye cocked for get-rich-quick paper seldom touches the high priced issues. They'll talk about them instead.

* * *

The reason for the advance? Your answer is probably as good as the next fellow's. The successes after the invasion of Normandy had something to do with it. The inflation minded Congress also is partially responsible. In fact there are lots of things to which the current strength can be attributed. Unfortunately the reason is seldom of more than academic importance. And even if it were, it is paradoxical of the market that the same reasons seldom affect the market the same way twice.

* * *

What may be bullish under one set of circumstances can be bearish under another. The fact that huge supplies had been sent abroad for the past two years, stored in England in anticipation of D-day, are now being used up at a terrific rate, is bullish. At least it spells good news for the companies which manufacture the jeeps, tanks and other materiel. But if this same amount of war equipment is manufactured and not used, it becomes bearish. For this supply hangs as a threat over the heads of manufacturers. When the latter condition applies, it eventually means the closing down of plants and the economic cycle we call depression is on the way. A sudden ending of the war for example would be construed by the market as bearish by the above yardstick.

* * *

I realize such interpretations are cold blooded and cynical. But the fact remains that the market itself is cold blooded. It merely acts on what people in all walks of life think is about to happen. Those with the most money presumably have the better connections and are the first to know what is to happen and buy or sell accordingly. Their activity is registered on the tape and eventually other people interpret it and act. That is the history of all markets and this is no exception.

* * *

So far as specific advice is concerned there is no change on either the buying or selling side. Crane and National Gypsum act with the market and should be held. The stops (see last week's column) remain the same.

* * *

More next Thursday.

—Walter Whyte

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

Sugar Stocks Attractive

Amalgamated Sugar Company and Utah-Idaho Sugar Company offer attractive possibilities, according to detailed financial analyses of the situations prepared by Edward L. Burton & Company, 160 South Main Street, Salt Lake City, Utah. Copies of these interesting studies may be had from Edward L. Burton & Company upon request.

Available On Request

Schenley Distillers Corporation have prepared an attractive booklet containing the first articles in the series they have been running in the "Financial Chronicle." Copies of this booklet may be had upon request by writing to Mark Merit, in care of Schenley Distillers Corporation, 350 Fifth Avenue, New York 1, N. Y.

Rails Offer Interest

Gary Railways common and Memphis Street Railway preferred offer interesting possibilities, according to memoranda issued by Bittner & Co., 80 Broad Street, New York City. Copies of these memoranda, into which are incorporated news of recent developments in the situations and earnings, may be had from Bittner & Co. on request.

Broker-Dealer Personnel Items

If you contemplate making additions to your personnel please send in particulars to the Editor of The Financial Chronicle for publication in this column.

(Special to The Financial Chronicle)

BOSTON, MASS. — **Robert H. Warren** has joined the staff of **Huff, Geyer & Hecht,** 10 Post Office Square. In the past he was with Baldwin & Co.

(Special to The Financial Chronicle)

DETROIT, MICH.—**A. F. Weast** is now with **Mercier, McDowell & Dolphyn,** Buhl Building.

(Special to The Financial Chronicle)

DETROIT, MICH. — **Thomas F. Paddock,** previously with Baker, Simonds & Co. for many years, is now connected with **Merrill Lynch, Pierce, Fenner & Beane,** Buhl Building.

(Special to The Financial Chronicle)

LOS ANGELES, CAL.—**Charles W. Geisel** has been added to the staff of **Akin-Lambert Co.,** 639 South Spring St.

(Special to The Financial Chronicle)

LOS ANGELES, CAL.—**Charles W. Flesher** is now connected with **Bankamerica Company,** 650 So. Spring St.

(Special to The Financial Chronicle)

LOS ANGELES, CAL.—**H. J. O'Hanlon** has become affiliated with **G. Brashears & Co.,** 510 So. Spring St.

(Special to The Financial Chronicle)

LOS ANGELES, CAL.—**Howard H. Heintz,** formerly with R. H. Moulton & Co., is now with **Pacific Company of California,** 623 So. Hope St.

(Special to The Financial Chronicle)

MUSKEGON, MICH.—**John H. Bodine** has joined the staff of **Central Republic Co.,** 209 So. La Salle St., Chicago. Mr. Bodine was formerly with Peoples State Bank in Muskegon and prior thereto he was with Moore & Clayson and Humphries, Angstrom & Co.

(Special to The Financial Chronicle)

PORTLAND, ME. — **Byron L. Mitchell** is now connected with **H. M. Payson & Co.,** 93 Exchange St.

(Special to The Financial Chronicle)

SAN FRANCISCO, CAL.—**Louis Gregorin** and **Wilbur A. Reid** are now with **H. R. Baker & Co.,** Russ Building.

(Special to The Financial Chronicle)

SAN FRANCISCO, CAL.—**John J. Ford** has been added to the staff of **Greenwood-Raggio & Co.,** Russ Building.

(Special to The Financial Chronicle)

SAN FRANCISCO, CAL.—**Virginia Kreutz** has become associated with **Wood, Struthers & Co.,** Russ Building.

(Special to The Financial Chronicle)

SPOKANE, WASH. — **Levi F. Austin** is now with **Edwin Lavigne & Co.,** Radio Central Building.

Keynes On Int'l Monetary Fund

(Continued from page 2579)

Fourth, Lord Keynes cites as "one of the major improvements in the new plan" that a proper share of responsibility for maintaining equilibrium in world economic relations "is squarely placed on the creditor countries", which "will no longer be entitled to square the account by squeezing gold out of the rest of us." This, Keynes goes on to say, is a voluntary undertaking (by the USA), genuinely offered in the spirit of a good neighbor—"a tremendous extension of international cooperation to good ends."

Fifth, the voting power of the British Commonwealth and that of the USA are expected to be approximately equal. An assembly of all the member governments will retain a supervisory control of the Fund, which Keynes observes "is perhaps even a little better than appears." To reject this Fund, he told the House of Lords, would require "much more foolhardiness than is to be found in this wise, intuitive country," the United Kingdom.

Like Prime Minister Churchill, Lord Keynes has not "turned my back on all I have fought for." He has long maintained that "gold is a barbarous relic." This plan, far from being a step back toward the gold standard, "is the exact opposite of it," Keynes holds. Under it, the external value of a currency is made to conform to the internal value, which is governmentally controlled. Not only is a country free to change the gold parity of its currency unit by 10 percent, but the Fund must not withhold approval of changes in excess of 10 percent "if our domestic equilibrium requires it." The British, he states, "have already dethroned gold as the fixed standard of value."

On this proposed Fund Britain is counting heavily, Lord Keynes' speech makes clear, all the more so "if we gain less assistance from other measures than we now hope."

In closing, Lord Keynes paid tribute to the American Government and Federal Reserve Board representatives, "whose genuine and ready consideration for the difficulties of others, and whose idealistic and unflagging pursuit of a better international order made possible so great a measure of agreement."

E. M. Jennings Pres. Of ABA Summer Group

NEW BRUNSWICK, N. J.—Edward Morton Jennings, Jr., of the First National Bank of Boston, was elected President of the Senior Class of 1944 of the Graduate School of Banking, which is now holdings its annual summer session at Rutgers University here. The school is conducted by the American Bankers Association. Frederic A. Potts, Philadelphia National Bank, Philadelphia, Pa., was elected Class Secretary. The class officers are permanent and do not change from year to year. 472 bank officers from 37 States are in attendance at the summer session here and 124 constitute the class which will be graduated Friday night, June 30. The school offers a two-year course in advanced study for bank officers and requires attendance at summer sessions of two weeks each at Rutgers for three successive summers.

Insurance Is Commerce

White & Company, Mississippi Valley Trust Building, St. Louis, Mo., have issued an interesting discussion of the insurance business, which the Supreme Court has ruled to be "commerce," and the possible effects of the Bailey-Walters bills now before Congress. Copies of this discussion may be had from White & Company upon request.

Now King & Company

GRAND RAPIDS, MICH.—The firm name of King, Wulf & Co. has been changed to King & Company, it is announced. The firm will continue to maintain its offices in the Michigan National Bank Building.

Municipal News & Notes

A number of Florida municipalities have under consideration, or are in the process of completing, plans for refunding outstanding bonds, either in whole or in part. The list includes Miami, St. Petersburg, Sarasota, St. Augustine, West Palm Beach, Fort Pierce, Cocoa, as well as a considerable number of less well known market names. One of the more significant factors in these operations is the degree of success usually achieved in securing creditor approval. This is additionally impressive as the plans require the surrender of rather high interest paying obligations for new refundings bearing coupons more nearly in line with current market conditions.

It is true, of course, that even after such revision, the yield to investors is greater than that attainable on an important segment of municipals generally. However, the resultant savings in carrying charges to the debtors is by no means unimportant. Moreover, their ability to command more favorable terms is also indicative of the greatly improved attitude of investors towards Florida municipals.

This contrasts sharply with the circumstances which prevailed several years ago, when much of the debt now being refinanced, through exercise of the call option, was contracted. At that time, refunding was usually of the stress variety as many communities were in rather poor financial condition. In order to cure defaults, or to guard against such eventuality, it was mandatory that taxing units revamp their debt structures in order to bring debt service within capacity to pay. This was made possible through the cooperative efforts of investment banking and dealer firms and creditors. The latter, in some cases, were obliged to grant concessions in the form of a reduction in interest rates.

The resulting set-ups, however, also proved advantageous to creditors, particularly with respect to enhancement marketwise in the value of their investments. The revamped debt structure, of course, made it possible for the taxing unit to resume interest payments promptly.

While war conditions have materially aided the State's local economy, other factors have contributed to the improvement in Florida municipals marketwise. Not the least of these, it seems, is the apparent determination of municipal officals in general to maintain the credit position of their communities and to prevent a repetition of the fiscal difficulties experienced in the past.

However, it would be difficult to assess the extent of the improvement resulting from the adoption by the State government of a workable solution of the local road debt problem. This was accomplished through the medium of the gasoline tax amendment to the State Constitution, which became effective Jan. 1, 1943, as Section 16 of Article IX. Under this statute, proceeds of 2 cents of the State tax gasoline and allied products is irrevocably pledged for 50 years exclusively for the payment of county road and bridge district debt which was outstanding July 1, 1931, or refunding issues thereof. It also gives the State Board of Administration complete control and responsibility for handling and retiring the debt. The amendment includes several provisions designed to facilitate the Board's task and to assure the success of the program. One of them prohibits taxing units from issuing any new bonds eligible for State aid. While refundings may be accomplished, this can only be done by the Administration Board itself.

The practical effect of this provision is to guarantee that gas tax money, also ad valorem taxes, if necessary, will be applied to the payment of debt service, and eliminates the possibility of refunding being employed as a vehicle of expediency.

While the gas tax amendment has naturally stabilized the market for road and bridge indebtedness subject to its provisions, it has also had a beneficial effect on the various other types of local bonds. This is not to say, of course, that the amendment is the answer to the debt problems of the State's local subdivisions. On the contrary, there are still a number of units whose financial structures are far from being sound and not likely to be corrected in the immediate future.

It is a fact, however, that the amendment provided the mechanism for the correction of what probably constituted the most perplexing phase of the Florida municipal debt problem, as was noted by A. B. Morrison & Co., Miami, in the firm's current news bulletin. This alone is no small achievement and much credit for its attainment, incidentally, goes to Governor Spessard B. Holland and the various other State officials.

Commenting recently on the activities of the State Board of Administration, the Clyde C. Pierce Corp. of Jacksonville noted as follows:

In a decision handed down in the case of the State vs. Polk County Road District No. 9, the Florida Supreme Court held that the amendment (1) makes the State Board the counties' fiscal agent, (2) vests the State Board with the sole authority to liquidate bonds as they fall due or to issue refunding bonds at its discretion, (3) completely withdraws all such powers from the counties and (4) imposes on the counties the duty to levy such ad valorem taxes as the State Board may deem necessary to service the bonds, if the State Board estimates that gasoline tax funds need to be supplemented.

Replying to a recent inquiry, the Attorney for the State Board of Administration stated "the Board expects to meet all principal and interest maturities, countywide and district, by payment from funds on hand or in prospect, or by refunding of principal, and directing a levy of ad valorem taxes wherever necessary to pay interest, the settled policy being not to refund interest and thereby increase principal debt. Various district requirements are such as to require refunding of principal from time to time, although the main debt is being reduced gradually, while interest payments are kept current. No ad valorem tax levy is contemplated at this time, nor in the future, unless there should be a reduction in gasoline tax funds below our present estimates for the years 1944 and 1945, which are 30% below normal and then only to pay interest as stated.

Further Slash In Bear Mountain Bridge Debt Expected

The New York State Bridge Authority reported a net profit for the fiscal year ended March 31 last of $316,675, according to press accounts of its annual report, issued recently.

Robert Hoe of Poughkeepsie, Chairman of the Authority, is said to have indicated that it is likely that a further substantial reduction in the bridge agency's outstanding funded debt will be made this year.

The outstanding debt now totals $1,700,000 and represents bonds due on the Bear Mountain structure, originally issued in the amount of $2,300. The total was reduced as a result of retirements of $300,000 each during the last two years. Other facilities operated by the Authority are the Rip Van Winkle and the Mid-Hudson bridges.

The latter structure accounted for $236,106 of the net profit recorded in the recent fiscal year, while the Rip Van Winkle span with $33,921 and the Bear Mountain unit with $46,648, made up the grand aggregate of $316,675.

In addition to Chairman Robert Hoe of Poughkeepsie, other members of the bridge authority are Dr. John L. Edwards and William K. Hagginbotham, and Francis M. Glynn is Executive Secretary. The board members commented on the results of the recent fiscal year's operations, as set forth in the annual report, as follows:

"The report reflects substantial earnings by the structures for the year, especially so when the wartime restrictions on travel are taken into consideration. The net profit for the year is high, being effected upwardly by economy and savings methods introduced during the period, thus reducing the general overhead expense."

G. H. Walker To Admit Warren As Partner

John D. Warren will be admitted to partnership in G. H. Walker & Co., members of the New York and St. Louis Stock Exchanges and other Exchanges, on July 1. Mr. Warren, who was formerly a partner in Gammack & Co., will make his headquarters at the New York office of G. H. Walker & Co., 1 Wall Street.

Public National Attractive

Stock of the Public National Bank and Trust Company of New York offers interesting possibilities for investment, according to a memorandum issued by C. E. Unterberg & Company, 61 Broadway, New York City. Copies of this memorandum outlining the situation may be had upon request from C. E. Unterberg & Co.

Attractive Situations

Laclede-Christy Clay Products Co. common, which is listed on the St. Louis Stock Exchange, offers an interesting situation, according to a memorandum issued by Herzog & Co., 170 Broadway, New York City. Copies of this memorandum and also circular on Bartgis Bros. and Federal Screw Works may be obtained from Herzog & Co. upon request.

Situations of Interest

F. H. Koller & Co., Inc., 111 Broadway, New York City, have prepared a memoranda on Great American Industries, Laclede Christy Clay Products, Indiana Limestone, and United States Lumber which the firm believes appear attractive at current levels. Copies of these interesting circulars may be had upon request from F. H. Koller & Co.

Interesting Rail Situation

Adams & Peck, 63 Wall St., New York City, have prepared an interesting circular on Boston & Albany RR., which appears attractive at the present time, the firm believes. Copies of this circular may be had from Adams & Peck upon request.

Interesting Situations

Standard Stoker common stock and Mansfield Tire & Rubber preferred and common offer interesting possibilities according to detailed memoranda on these situations prepared by Otis & Co., Terminal Tower, Cleveland, O. Copies of these memoranda may be had from the firm upon request.

Lauds 'Chronicle' Stand On NASD '5% Rule'

(Continued from page 2579)

dealers throughout the country to date. The financial support which we have so far received is inadequate.

We know how quick you are to take up the cudgels in behalf of the right.

Our work is in the interest of the entire profession. We are only the spearheads.

We believe that the members of the industry must be made conscious of their individual responsibility and that dealers in securities should be encouraged to bear their just share of the burden of supporting this fight. Won't you try to bring that sense of duty home to the members of our profession? All contributions should be sent to the Securities Dealers Committee, 165 Broadway, New York City.

With many thanks for your good offices, I am,

Respectfully yours,

BARON GOWDY HELBIG, Chairman,
Securities Dealers Committee.

P. S. Incidentally the members of this Committee have made personal contributions and all serve without any remuneration whatsoever.

New York, June 20, 1944.

Public And Securities Dealers Let Down By A "Protective" Set Up

(Continued from page 2579)

to destroy the businesses of small dealers and the market for the securities of small corporations thereby making impossible the flotation of small new issues.

The "5% spread philosophy" of the NASD is a particularly pernicious product of legislative mumbo-jumbo which is now under attack.

During the hearing before the SEC on the "5% rule," counsel for the Securities Dealers Committee referred to the difficult and anomalous position in which the hearing Commissioners found themselves. Under the law the Commission and NASD are the guardians of the public in their relations with securities dealers. The enforcement of rules of fair practice is in their hands. NASD rules and amendments thereto are subject to SEC approval in the first instance.

Counsel challenged the right of any Commissioner to sit at the hearing who had anything to do with the promulgation of the "5% philosophy." "To disregard this challenge would be to sit as a judge, in review of one's own acts," he said.

None of the Commissioners who sat indicated whether or not he had anything to do in the first instance, either directly or indirectly, with the conferences leading to the establishment of the "5% philosophy," and unless this is revealed in the ultimate decision, the public will continue in ignorance of a matter on which it is entitled to be enlightened.

All of this is made possible by an interlocking, and we believe, improper set up, contained in our laws affecting the securities field. Commissioners can review their own actions and pass upon the propriety of them.

Since the Commission has not committed itself, we do not know whether that is being done in the "5% rule" case. However, when, and if it is done, it will be worth watching to see if the courts, on appeal, will stand for such a state of affairs.

The evils are many. Here is another. In a review from the decision of a local Business Conduct Committee, the NASD on appeal decided that the penalty was too lenient, and increased the period of suspension of one of its members. What a diabolical maneuver! How readily this will discourage seeking the review of the opinions of Business Conduct Committees. Our appellate courts, in criminal cases, do not have the power to enlarge the punishment meted out by the courts below.

THERE IS A CRYING NEED FOR REALIZATION OF THE DANGERS TO WHICH WE ARE BEING INCREASINGLY SUBJECTED. WE SUFFER FROM AN INEXCUSABLE LASSITUDE. WE MUST BE AROUSED TO STEM THE ENCROACHMENTS UPON OUR RIGHTS TO DO BUSINESS UNHAMPERED BY ILLEGAL RESTRAINTS. LETTING JACK DO IT WILL NOT BRING THE RELIEF WHICH IS PROPERLY OURS. EACH OF US MUST BE JACK, TO PREVENT THE SMALL BEACHHEADS FROM BECOMING THE BIG INVASION OF OUR LIBERTIES.

We hope that the age of pamphleteering is not dead, and that champions of our cause will continue to arise, making all conscious of their duty and their responsibility.

Calendar Of New Security Flotations

NEW FILINGS

List of issues whose registration statements were filed less than twenty days ago, grouped according to dates on which registration statements will in normal course become effective, unless accelerated at the discretion of the SEC.

THURSDAY, JUNE 22

FLEMING COMPANY, INC., has filed a registration statement for 2,500 shares of preferred stock, 5% cumulative ($100 par). Price to public $103 per share. Proceeds will be used to increase working capital through the reduction of bank loans. Beecroft, Cole & Co., Columbian Securities Corp. and Seltsam & Co., Inc., are underwriters. Filed June 3, 1944. Details in "Chronicle," June 8, 1944.

WEDNESDAY, JUNE 28

HOWARD STORES CORPORATION filed a registration statement for 27,736 shares 5¼% cumulative preferred stock, par value $100, and 50,000 shares common stock, par $1. The shares registered are issued and outstanding and do not represent new financing by the company.

Underwriting—Underwriters are A. G. Becker & Co., Inc., Chicago; Merrill Lynch, Pierce, Fenner & Beane, New York; H. M. Byllesby & Co., Inc., Chicago; Central Republic Co., Inc., Chicago; Graham, Parsons & Co., Phila.; Hallgarten & Co., New York; Shields & Co., New York; Stroud & Co., Inc., Phila.; A. E. Masten & Co., Pittsburgh; Milwaukee Company, Milwaukee; Moore, Leonard & Lynch, Pittsburgh; William R. Staats Co., Los Angeles; Stein Bros. & Boyce, Baltimore; Edward D. Jones & Co., St. Louis; Singer, Deane & Scribner, Pittsburgh; Frank B. Cahn & Co., Baltimore, and Newhard, Cook & Co., St. Louis. Filed June 9, 1944. Details in "Chronicle," June 15, 1944.

SATURDAY, JULY 1

MIDLAND COOPERATIVE WHOLESALE has filed a registration statement for $250,000 subordinated debenture notes, being interest at the rate of 4% per annum and maturing in five and ten years from date of issue.

Address—739 Johnson Street, Northeast, Minneapolis, Minn.

Business—Cooperative association.

Underwriting—None.

Offering—Notes are to be sold at their face value. They will be sold only to members of the issuing corporation and individual members of its corporate stockholders.

Proceeds—To increase working capital and reduce bank loans.

Registration Statement No. 2-5394. Form A-2. (6-12-44.)

SUNDAY, JULY 2

IDAHO POWER CO. has filed a registration statement for 60,587 shares of 4% preferred stock, $100 par value.

Address—1220 Idaho Street, Boise, Idaho.

Business—Public utility.

Underwriters—Blyth & Co., Inc., and Lazard Freres & Co., New York, 45% each, and Wegener & Daly, Inc., Boise, 10%.

Offering—Company offers to holders of its 7% and $6 preferred stock the opportunity to exchange their shares for new 4% preferred stock on a share for share basis together with a sum of cash to be filed by amendment and accrued dividends to Aug. 1, 1944. The exchange offer will be open from about July 1 to July 22. The new preferred stock will be cumulative from Aug. 1, 1944. Any shares of the 7% and $6 preferred stock not deposited for exchange will be redeemed on Aug. 1, 1944, at $110 per share plus accrued dividends to that date. The underwriters have agreed to purchase any of the 4% preferred shares not issued pursuant to the exchange offer. Offering price to the public will be supplied by amendment.

Proceeds—The net proceeds from the sale of any 4% shares to underwriters will be applied to the redemption of the unexchanged preferred stock. There were outstanding at March 31, 1944, 32,130 shares of 7% preferred and 28,457 shares of $6 preferred.

Registration Statement No. 2-5395. Form S-1. (6-13-44.)

TUESDAY, JULY 4

SEARS, ROEBUCK & CO.—Savings and Profit Sharing Pension Fund of Sears, Roebuck & Co. Employes and Sears, Roebuck & Co. have filed a registration statement for 20,000 memberships in the fund and for 160,000 shares of capital stock, without par value, of the company.

Address—Fund 3333 Arlington Street, Chicago, company 925 South Homan Avenue, Chicago.

Business—Fund savings and profit sharing. Company mail order and retail store business.

Offering—The 20,000 memberships represent the maximum estimated number of memberships which may be offered to eligible employees during the 12 months following the effective date of the registration statement. The 160,000 shares of capital stock represent the maximum number of shares which, it is anticipated, may be purchased by the fund for its members during the same period. The company each year contributes to the fund certain sums out of its net profits, while each member contributes a certain percentage of his salary or allowance.

Registration Statement No. 2-5396. Form A-2. (6-15-44.)

DATES OF OFFERING UNDETERMINED

We present below a list of issues whose registration statements were filed twenty days or more ago, but whose offering dates have not been determined or are unknown to us.

AMERICAN BAKERIES CO. — Company filed with the SEC a registration statement as amended with respect to 26,000 shares of class B stock (no par). The stock offered for sale is that of L. A. Cushman, Lewis A. Cushman and Martha Bryan Allen Cushman as trustees of L. A. Cushman Trust. Courts & Co. are named principal underwriters. Filed March 29, 1944. Details in "Chronicle," April 6, 1944.

AMERICAN MACHINE & METALS, INC. filed a registration statement for $2,000,000 15-year sinking fund debentures, due June, 1959, and 68,450 shares of capital stock, without par value. The 68,450 shares of capital stock are to be offered for subscription to the holders of capital stock at the rate of one share for each four shares held. The subscription price as well as the record date and time when subscription warrants will be filed by amendment. The public offering price of the debentures will be filed by amendment.

The net proceeds from the sale of the debentures and stock will be applied, together with additional funds from the company's treasury, to repay a $3,000,000 temporary bank loan which was incurred in the purchase last March of control of the United States Gauge Co. Hornblower & Weeks are principal underwriters. Filed May 31, 1944. Details in "Chronicle," June 8, 1944.

BEN-HUR PRODUCTS, INC. — $300,000 5% convertible debentures, series of 1943, due Feb. 1, 1951 and 11,400 prior preferred shares (for purpose of conversion). Proceeds to retire bank loans and working capital. Pacific Co. of Calif. and Wyeth & Co. named underwriters. Filed Dec. 20, 1943. Details in "Chronicle," March 9, 1944.

CARPENTER PAPER CO.—15,000 shares of common stock (par $1). Price to public $29 per share. 1,717 shares are being currently offered to a group of officers and employees at $21.50 per share under a separate registration and prospectus. Net proceeds ($446,000) are to be used for working capital. Kirkpatrick-Pettis Co. are underwriters. Filed March 30, 1944. Details in "Chronicle," April 6, 1944.

EQUIPMENT FINANCE CORP. filed a registration statement for 14,000 shares 4% non-cumulative series 2 preferred, par $100. Price to the public $100 per share. Proceeds for acquisition of factory and warehouse buildings and additional trucks. Filed May 19, 1944. Details in "Chronicle," May 25.

EXCESS INSURANCE CO. OF AMERICA has filed a registration statement for 48,981 shares of capital stock (par $5). Shares are to be offered for subscription to present stockholders of record May 31, 1944, on a pro rata basis at $8 per share. Net proceeds will be added to company's capital and surplus funds. Not underwritten. Filed May 29, 1944. Details in "Chronicle" June 8, 1944.

GERMANTOWN FIRE INSURANCE CO. has filed a registration statement for 50,000 shares of common stock, $20 par, and voting trust certificates for said stock. Policyholders of Mutual Fire Insurance of Germantown are to have pre-emptive rights to subscribe for the common stock at $20 per share in proportion to the respective premiums paid by them upon insurance policies issued by Mutual. Voting trust certificates representing shares not subscribed will be offered to the general public at the same price. All stockholders will be asked to deposit shares in the voting trust for a period of 10 years. Bioren & Co. are underwriters. Filed May 29, 1944. Details in "Chronicle," June 8, 1944.

HAWAIIAN ELECTRIC CO., LTD., filed a registration statement for $5,000,000 first mortgage bonds, series D, 3½%, due Feb. 1, 1964. Proceeds will be used to pay company's $3,500,000 3% collateral promissory notes due June 1, 1948; to pay for additions, improvements and betterments of plant and properties to be made prior to the close of 1945. Dillon, Read & Co., New York, and Dean Witter & Co., San Francisco, underwriters. Filed May 23, 1944. Details in "Chronicle," June 8, 1944.

HAYES MANUFACTURING CO. has registered 100,000 shares of common stock $2 par value. Net proceeds will be received by Porter Associates, Inc. The moneys paid to the corporation by Porter Associates, Inc., on account of the purchase of said shares will, in the estimated amount of $187,500, reimburse the corporation in part for the $200,000 expended by it in purchasing such shares. Porter Associates, Inc., underwriters. Details in "Chronicle," May 31. Filed May 25.

MISSISSIPPI VALLEY PUBLIC SERVICE CO. has registered 15,000 shares of 5% cumulative preferred stock ($100 par). Company is offering to holders of its outstanding 7% cumulative preferred stock, series A, and 6% cumulative preferred stock, series B, the privilege of exchanging their old stock for new preferred on a share for share basis, with a cash adjustment amounting to $7.83⅓ a share on the 7% stock and $2.66⅔ a share on the 6% preferred. The exchange offer will expire at noon on May 20. Underwriters are Milwaukee Co., 5,750 shares; Wisconsin Co., 4,750; Morris F. Fox & Co., 1,500; Loewi & Co., 1,500; Bingham, Sheldon & Co., 1,000 all of Milwaukee, and A. C. Tarras & Co., Winona, Minn., 500. Filed April 25, 1944. Details in "Chronicle," May 4.

MORRISON-KNUDSEN CO., INC., has filed a registration statement for $200,000 series K 5% preferred stock and $300,000 series L 6% preferred stock, both $100 par value. Serurities will be offered by Morrison-Knudsen Co., Inc., at par. Any part of the issue not sold by company officials will be sold through Wegener & Daly, Inc., Boise, Idaho, as underwriters. Company in an amendment filed June 10 proposes to offer $100,000 4% series F demand certificates and $100,000 4% series Y certificates at $100. Proceeds for working capital. Details in "Chronicle," May 31. Filed May 23.

NORTHERN INDIANA PUBLIC SERVICE CO. has filed a registration statement for 220,078 shares of 5% cumulative preferred stock, par $100 per share. Company plans to issue the 220,078 shares of 5% preferred stock to effect the retirement by exchange or redemption of an equal number of shares of its 7%, 6% and 5½% preferred stock, the exchange to be on a share for share basis plus a cash payment to be filed by amendment. Stone & Webster and Blodget, Inc., and Harriman Ripley & Co., Inc., New York, are principal underwriters Details in "Chronicle" April 27, 1944.

Exemption from competitive bidding rule denied by SEC in opinion issued May 5, 1944. Company on May 12 filed an amendment with the SEC proposing invitation of competitive bidding on the stock under rule U-50.

PANHANDLE EASTERN PIPE LINE CO. has filed a registration statement for 531,638 shares of common stock, without par value. The shares registered are issued and outstanding and are owned by Missouri-Kansas Pipe Line Co. Mokan will offer to the holders of its common stock and class B stock, of record July 3, the right to purchase, pro rata, 163,710 shares of common stock of Panhandle, at $30 per share, on basis of one share of common stock of Panhandle for each 10 shares of common or 200 shares of class B capital stock of Mokan. Such purchase offer will expire on Aug. 12, 1944.

Net proceeds will be used to pay off $5,050,000 indebtedness to banks and insurance companies. After payment by Mokan of the indebtedness, it will offer to each holder of its common stock or class B stock according to a plan adopted by the stockholders on March 27, 1944, the right and privilege of exchanging all or any part of his holdings of such stock for full shares of the common stock of Panhandle, on the basis of two shares of Panhandle for nine shares of Mokan common or 180 shares of class B capital stock of Mokan, or any combination of common and class B capital stock of Mokan equivalent thereto. The exchange offer will expire April 15, 1945. Filed May 31, 1944. Details in "Chronicle," June 8, 1944.

PUBLIC SERVICE CO. OF OKLA.—$1,500,000 5% cumulative preferred stock (par $100) and $6,600,000 first mortgage bonds, series A 3½% due Feb. 1, 1971. Stock is for exchange of $6 preferred of Southwestern Light & Power Co. (subsidiary) on share for share basis. Bonds will be offered for sale at competitive bidding. Registration effective Jan. 10, 1944. Filed Dec. 21, 1943. Details in "Chronicle," March 16, 1944.

STERLING ENGINE CO. has filed a registration statement for 304,075 shares of common stock, of which 23,225 are being issued by the company through underwriters and 180,850 shares by three present stockholders. Offering price to public on 204.075 shares is $3.75 per share. An additional 100,000 shares is reserved against the exercise of warrants to purchase 100,000 shares of common, at $4.50 per share, prior to three years from and after the effective date of registration statement. Proceeds for working capital. Burr & Co., New York are principal underwriters. Filed April 24, 1944. Details in "Chronicle," May 4.

VERTIENTES-CAMAGUEY SUGAR CO. OF CUBA.—696,702 shares of common stock ($6.50 par), U. S. currency. Of shrs. registered, 443,850 are outstanding and owned by the National City Bank, N. Y. Several underwriters have agreed to purchase $1,663,500 of first mortgage (collateral) 5% convertible bonds of company, due Oct. 1, 1951, owned by National City Bank, N. Y. Underwriters propose to convert these bonds at or prior to closing and the 252,852 shares of common stock which are received by the underwriters on such conversion, together with the 443,850 shrs. previously mentioned, will make up the total stock to be offered. Harriman Ripley & Co., Inc., N. Y., principal underwriter. Filed Mar 29, 1944. Details in "Chronicle," April 6, 1944.

Boston Traders Ass'n Annual Meeting in Sept.

BOSTON, MASS.—The Boston Security Traders Association will hold its annual meeting on September 26.

The following have been appointed to the nominating committee for this year:

James B. Maguire, E. H. Rollins & Sons, Inc., Chairman; William J. Burke, Jr., May & Gannon; Ralph F. Carr, Ralph F. Barr & Co.; William Duncklee, Brown Bros. Harriman & Co.; and William Prescott, Carver & Co.

"Our Reporter On Governments"

By DONALD MacKINNON

(Mr. MacKinnon has again been kind enough to act as guest writer this week. As is true of other contributors, the opinions expressed by Mr. MacKinnon are his own and do not necessarily reflect the views of the Chronicle.—Editor.)

In Chicago, on June 19, Secretary Morgenthau said that taxes may not be as high during the period immediately following the war as they are now, but issued a warning that taxes would stay above the pre-war levels. . . . With regard to post-war corporation taxes, the Secretary stated that changes would be made, but did not know what those revisions would be. . . . Mr. Morgenthau also said: "We've got a tremendous national debt, and we'll have to retire it. . . . Taxes will bring in the money. . . . If business and, in turn, workers failed to make money, the Government would be unable to collect money through taxation to retire the national debt." . . .

The computed annual interest charge as of April 30 on $185,-670,000,000 public debt then outstanding was $3,606,000,000; the computed annual rate of interest was 1.942%. . . . The computed annual rate of interest will undoubtedly continue to decline, just as the computed annual interest charge will increase; and it is of interest to note that from May 31, 1943, through April 30, 1944, the computed annual rate of interest declined slightly from 1.992% to 1.942%; the computed annual interest charge increased from $2,763,000,000 to $3,606,000,000—an increase of $843,000,000, while the public debt increased $46,913,000,000. . . .

TAX CHANGES

In spite of what Mr. Churchill has said regarding the possibility of the European war ending this autumn, we feel that only wishful thinkers believe there will be any material changes in taxes immediately the wars are ended. . . .

Apparently some investors have some confidence in the stability of partially exempt Treasuries, for during the period from Feb. 29 and March 31, 1944, commercial banks bought a total of $119,000,000 of such issues; $3,000,000 2¼s of 56/54; $61,000,000 2⅞s of 60/55; $30,000,000 2¾s of 59/56; $14,000,000 2¾s of 63/58, and $11,000,000 2¾s of 65/60. . . .

Of course, such purchases were made at a time when amounts required for the payment of taxes may have been materially higher than had been estimated originally. . . .

COMMERCIAL BANK INVESTMENTS

As stated in this column on numerous occasions in the past, we believe that many additional commercial banks will discover the need for partially exempt Treasuries, and will make such purchases. . . . Such issues held by commercial banks particularly are not subject to trading to the extent that was the case a few years ago. . . . As tax payments increase, trading profits, at best subject to 25% capital gains tax, are not as attractive as they once were. . . . Because the positions of commercial banks are constantly growing stronger, fewer losses may be established against income tax payments; and partially exempt, or fully exempt income is the primary consideration, not profits. . . . Finally, allowable amortization is a tremendous advantage, and takes the sting out of the payment of current premiums. . . .

Because of this last factor, and the actual need involved, many commercial bankers today will pay 112.16 or more for the 2⅞s, because they know that in 12 months' time their amortized book cost will be about 111.16. . . . They buy income exempt from normal taxes; and if they are now, or later will be subject to excess profits taxes, so much the better. . . .

FIFTH WAR LOAN

At this writing, the Fifth War Loan has attained 14% of its $6,000,000,000 goal to individuals through the first week of sales. . . . Treasury officials are reported to be encouraged, but we wish to point out that for the three weeks remaining sales for each week will have to be more than doubled in order to meet the anticipated objective in this category. . . . We have no doubt that more than $16,000,000,000 will be sold to all investors. . . . But it does seem strange that with events unrolling before our eyes that make for the future of the world as we want it—for our security, and all that that word implies, we have to be sold a share of future happiness. . . . It does seem strange that during the first full week of the Fifth War Loan only $854,000,000 was invested by individuals. . . . Because if a U. S. Treasury bond is not an investment—will someone tell us what is? . . .

Although the language of the Treasury bulletin regarding subscriptions to issues available during the Fifth War Loan is perfectly clear, there is a great deal of guessing regarding the possibility that the Federal Government may relax restrictions and accept subscriptions to issues that may find homes in commercial banks after July 8. . . . We doubt that what might be termed liberal allotments will be made in any case, or that loans in material amounts will be made which will permit speculative purchase of Treasuries by free riders. . . . Naturally, some of the new 2s, the new notes, and the new ⅞s will eventually be purchased in the open market by commercial banks, in excess of their allotments by subscription. . . . Heavy demand might mean out-of-line prices for these three issues, especially the 2s and the 1¼s; however, we feel that a premium of about 100.6 or 100.8 for the 2s, and 100.4 for the 1¼s is about what should be expected when trading is permitted on July 10. . . .

Just in passing, one observes that of the two bonds offered to commercial banks on a restricted basis during the Fourth War Loan, only $278,000,000 of $3,793,000,000 outstanding of 2¼s of 59/56, and $26,000,000 of $2,272,000,000 outstanding are held by commercial banks. . . .

MARKET ACTION

Almost every one expected lower prices in medium- and longer-term Treasuries prior to and during the progress of the Fifth War Loan. . . . Such price action has not as yet developed except in the tap issues—at least to any degree. . . . As a matter of fact, the lack of any important selling in partially exempts is one of the most surprising features of the Fifth War Loan to date. . . . Any selling of such issues that may materialize should appear prior to June 26—the date on which interest on the new bonds, notes and certificates starts to accrue. . . . While market action has been excellent, we expect to see better prices in Treasuries from that date—June 26.

Charles Hughes & Co. Petition SEC For A Rehearing Of Revocation Order

Charles Hughes & Co., Inc., New York, whose registration as a security dealer-broker was revoked by the Securities and Exchange Commission on July 19, 1943, and the revocation subsequently upheld by the United States Circuit Court of Appeals, petitioned the SEC on June 9 for a vacation of the order on the ground that the "standards" set up by the Commission in the administration of the Securities Exchange Act of 1934 were disregarded in making the order, and that the concern did not receive "a fair hearing."

The Hughes concern was charged with committing fraud in a mark-up case and with charging customers for securities substantially in excess of their market values.

An appeal was taken against the Commission's revocation order to the Circuit Court of Appeals in New York, which, in its decision rendered Dec. 10, 1943 (and printed in the "Chronicle," issue of Dec. 16, 1943), upheld the Commission's action. The United States Supreme Court on March 13, 1944, denied a petition to review the case.

Charles Hughes & Co. have been inoperative as security dealers since the revocation of its registration. Anne E. Hughes is represented as the applicant in the new petition, and the attorney in the case is R. Lawrence Siegel of 55 Liberty St., New York City. The petition asserts that the Commission's order constitutes a "sentence of death," and that "the applicant was denied the fundamental elements of fairness essential in a proceeding involving property rights, especially where, as herein, the proceeding involved the right to continue to engage in a business to which the applicant and its general trader have devoted their working lifetime." The petition then enumerates "examples of the testimony and hearing incidents which exemplify the spirit and manner in which the hearing was conducted," and which, when "taken together and given cumulative effect, or even if each stands alone, they constitute a violation of the procedural standards of the Commission, a denial of a full, fair and impartial hearing and the perequisites thereof, and a withholding of due process."

In the final clause of the petition it is stated that "applicant has never been guilty of any wrongdoing or misdeed; for more than two years it has been deprived of the right to earn a livelihood; its President has suffered in mind and body by the publicity and uncertainty engendered by the charges and proceedings herein," and, in addition, "has sustained loss of income and expense." Its good reputation, moreover, "has been sullied and its President and general trader now are without means or opportunity of earning a livelihood."

Carl K. Gish To Be Boettcher Co. Partner

Carl K. Gish will be admitted to partnership in Boettcher & Co., members of the New York Stock Exchange. Mr. Gish has been with the firm for some years in charge of the New York office at 52 Wall Street, where he will continue to make his headquarters.

Interesting Situation

H. R. Baker & Co., Russ Bldg., San Francisco, Calif., have available an interesting report on Kern Co. Land. Copies of this report may be had from the firm upon request.

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Final Edition

ESTABLISHED OVER 100 YEARS

In 2 Sections—Section 2

The Commercial and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 159 Number 4292 New York, N. Y., Thursday, June 22, 1944 Price 60 Cents a Copy

The Financial Situation

The nation is now well launched upon a fifth war loan "drive" with a steady flow of "invasion" dispatches to provide additional stimulation to the rank and file of the investors. It is, of course, much too early to make even a guess concerning the final results. It is, however, clear that financially the situation grows "tighter," and that the banking system is being placed under an increasing strain as time passes. This is the first war loan "drive" that has had to make its debut with "excess reserves" below the billion mark. Reserve bank credit outstanding is higher than at any previous time, and the reserve ratio is lower than during any of the previous "drives."

A good deal has been said of late about the reserve ratio obtaining the reserve banks, and some of it has not been well considered or well said. At the same time, it is as well that we do not overlook what is taking place in the banking system, even if in the circumstances something of the sort—at least in substantial degree—was from the time we entered the war strictly inevitable, assuming, of course, that hostilities continued for a substantial period of time. Sales of government obligations to non-banking investors have, on the whole, been about as large as one could reasonably expect, but they have failed by a wide margin to provide the funds required by the war effort. It has been and it still definitely is necessary to call upon the commercial banks of the nation (including the reserve system itself) to provide a substantial proportion of the funds with which the war is being financed.

The Facts

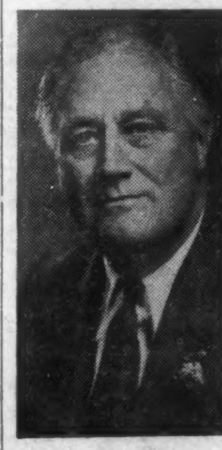
The facts are not without interest as well as importance. When the first "drive" was undertaken late in 1942, excess reserves stood at around $2.5 billion. By the time the next

(Continued on page 2612)

FDR Announces Plans For International Security Council To Maintain Peace---Superstate Out

Council Would Include Representation Of Four Major Powers And Some Smaller Nations — Program Provides For World Court of Justice To Settle Disputes

The plans of the Administration at Washington for an International Security Council, the purpose of which would be to maintain peace and security through international co-operation, were outlined by President Roosevelt in a statement issued on June 15. It is likewise proposed that the Council would act in assisting in the creation "of conditions of stability and well being necessary for peaceful and friendly relations among nations." The Council, according to the President, would include the four major nations and a suitable number of other nations; the four nations are the United States, Great Britain, Russia and China. It is indicated by the President that "there would also be an international court of justice to deal primarily with justifiable disputes." Prior to the President's announcement of June 15 the Associated Press reported from Washington June 11 that a mid-summer meeting at Washington of American, British, Russian and Chinese representatives to discuss the formation of an international security organization apparently is in the making. These advices also said in part:



President Roosevelt

"The State Department reportedly has received informal assurances that Britain and China are ready to talk business on implementing the Moscow pact and a Russian acceptance is expected as soon as it can be cleared through diplomatic channels. Andrei A. Gromyko, the Russian ambassador, is returning to Moscow and officials here expect him to report on the matter there.

"Plans for the big-four meeting in Washington, which President Roosevelt has insisted can not be classed as a full dress conference, are still indefinite but the British are reported to favor conducting the preliminary conversations on an ambassadorial level.

"The Moscow conference called for establishment as soon as practicable of a general international organization 'based on the principle of the sovereign equality of all peace-loving States, and open to membership by all such States, large and small.'

"While that declaration is expected to form the core of discussions, there have been indications that both the American and British plans contemplate initiative action by the 'Big Four,' with smaller States to be invited into membership as soon as possible after the foundation is laid and the side-walls go up.

"President Roosevelt has indicated that the United States expects to preserve a certain freedom of action in cases where it otherwise might be called upon to move diplomatically or militarily against its wishes."

The President's statement was issued following a conference on June 15 with State Department officials and others, and he indicated in his statement that that conference was a continuation of others held during the last 18 months. On June 16 it was stated that overnight study of the President's statement of plans for a post-war peace-preserving organization produced mixed reaction in Congress with these developments indicating there is stormy weather ahead for the administration's preliminary scheme for international cooperation. We quote from the Associated Press as given in the New York "Sun" which reported the developments as follows:

"1. Disclosure that the rough draft of the American plan places the decision on military action to suppress aggression primarily in the hands of the 'Big Four,' with any one of them permitted to veto the use of force.

"2. A demand by Senator Bridges (R., N. H.), who has supported the President's foreign

(Continued on page 2615)

Isolationist Nonsense

"We cannot assure freedom of speech and freedom of religion in Russia, for instance, unless we are prepared to fight the rest of our lives. We can hardly be fighting for democracy when so many of our allies, China, Russia and Brazil, are dictatorships without the semblance even of election machinery. . . .

Robert A. Taft

"Apparently there was not the slightest effort on our part to bring Russia in line with the idea of the Atlantic Charter, or any post-war settlement on which permanent peace can be based.

"The effect of the Teheran Conference was to accelerate the drift toward a controlled world by the three great nations, which has affected the thinking of this country for some time. I do not believe that is the way in which to carry out our war purpose. . . .

"As I see it today, Mr. Hull's policy is one thing, Mr. Roosevelt's is another and Mr. Willkie's a third. If you will analyze the facts the old difference between the internationalists and isolationists has disappeared, in spite of a lot of propaganda which seems to interest itself only in involving the United States in international affairs regardless of the method on the effectiveness of that method to secure peace."—Senator Robert A. Taft.

It is indeed time we viewed our foreign policy more rationally—and less in terms of slogans. It is unfortunate that so few even among the "opposition" seem to have the acumen or the courage to speak as does Senator Taft.

From Washington Ahead Of The News

By CARLISLE BARGERON

You'd undoubtedly be surprised to know that the biggest event among us here in Washington the past 10 days has been the expulsion of the Finnish Minister, Mr. Procope. You probably take that in your stride just the same as if Donald Nelson has cut down on the production of aluminum or magnesium that is needed for the year. But when you do that you don't know Washington. We are concerned in personalities here, and inasmuch as there is a war on, the personalities with whom we are concerned are those who are associated in the very, as Mrs. Roosevelt would put it, interesting business of the war.

We saw one of our big shots brought down to earth a few days ago. He kept running through the offices adjoining his, exclaiming that his son had two jeeps shot out from under him. The father was quite proud. A cynical fellow remarked that the real event would come when the son was shot, out from off of two jeeps. It gave the father a little pause, but he being a dynamic sort of man, not much of one.

This is by way of leading up to the fact that Washington, in its mechanical thinking, has had occasion for blinking in the past two weeks over the Procope incident, and also over Tito and De Gaulle.

Washington understands that it is utterly essential to reelect Mr. Roosevelt because of his initimate grasp of world affairs. This postulate is something that is likely to make every American mother and father hesitate. After all, Mr. R. knows these fellows in the big league business in which we are engaged.

Well, take them one by one, and every example of this intimate knowledge of world affairs bears on the losses of lives of American boys.

First, your correspondent has followed the ideologies of this war all the way through. Pick up a devout New Dealer tomorrow and he will tell you that he is for Stalin, Benes of Czechoslovakia; he is pro Tito; pro Toledano in Mexico; for the "Liberal" elements of Greece (they've never hit upon a personage there); he is anti - Badoglio; anti - Franco, and pro-De Gaulle. Roosevelt has accepted this party line right on though with the exception of De Gaulle. He was reluctant about Badoglio but finally the party line had its wishes in that respect. The fact that after having gone this far, Roosevelt won't recognize De Gaulle, burns the party liners up. And it should be right interesting to the rest of us that he won't go this far. What is very enlightening is that it is not a matter of being against the ideology at all. It is simply that he doesn't personally like De Gaulle. Frankly, we don't like him either. Neither do we like the rest of the big shots who are in this great undertaking

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The State Of Trade

The dawn of a new day is fast breaking as the Allied armies roll on with crushing might to throw back the foe on all fronts. The progress of the invasion of Normandy, threatening as it does complete severance of the last line of escape for the Germans from the vital port of Cherbourg and the greatly increased speed of the American Fifth and British Eighth armies in their drive up the Italian boot are indeed heartening. The invasion of Saipan Island in the Marianas by an American naval-air task force signalizes the opening of a new phase in the central Pacific war. The Marianas and the Bonin Islands are looked upon as the main obstacle in the reconquest of the Philippines and the eventual subjection of Japan. One other important piece of news the past week was the psychological effect the long arm of our air force had on Japan in striking a telling blow at the city of Yawata, the heart of her steel center. This significant undertaking was accomplished by American industry's own creation, the B-29 Super-Fortress of the American Air Force and brought the battle that has been confined to the perimeter of the Japanese Empire to the homeland itself. All in all, the sum total of these events adds up to something ominous for the enemy both in Europe and the Pacific. While the road ahead is still rough, the final day of reckoning is close at hand.

In entering upon what we believe to be the final phase of the struggle, problems of reconversion are growing in importance. Business and industry have given much time and thought to our post-war economy and each has entered a special plea for its future well-being. Some of the major problems recognized by all are termination of war contracts, disposal of surplus war plants and surplus materials, and employment of our industrial and military forces following demobilization. Each is a part of the whole, and to avoid economic chaos each part must receive its proportionate share of consideration in our adjustment to a peace-time economy. Eugene E. Wilson, Vice-Chairman of United Aircraft Corp., speaking before the New England Council conference on behalf of the aircraft industry, last week, voiced the opinion that the major problems cited above confronting the industry in its transition from war to peace can only be solved "if our national policy supports the sound expansion of air transportation so as to shift the load from military to commercial plane types." Should a large surplus of transport aircraft be dumped on the market, Mr. Wilson felt, technological development might easily be stopped. On the other hand, if properly handled, this surplus could be used to provide immediate post-war expansion of commercial airlines.

The American oil industry is rendering a vital war service, and its contribution to the war effort approximated close to $1,000,000,000, William R. Boyd Jr., Chairman of the Petroleum Industry War Council, announced last week, adding that no part of it had been advanced by the Government. The money was spent on accelerating refining, marketing and transportation, according to Mr. Boyd. He stated that "under normal circumstances such vast expenditures would not be justified." In a breakdown of the total expended, Mr. Boyd disclosed that $749,977,761 had gone into refining, $197,249,723 for transportation, and $22,831,254 for marketing purposes. The millions spent for development of the industry and other purposes to meet war and civilian demands were separate and apart from the above figures, Mr. Boyd emphasized.

Judging from an analysis of annual income of various worker groups of this country made by Brig.-Gen. Leonard P. Ayres, Vice-President of the Cleveland Trust Co., and appearing in the bank's monthly business review, it reveals that the increase in income of farmers of this country since pre-war 1939 are greater than those of wage and salary workers. The analysis further shows that farm proprietors' incomes in the last quarter of 1943 were 284% that of the average 1939 earnings, against 242% for wage and salary earners and 213% for corporations. Taking the average annual wage of this country's 22,500,000 mechanical workers, which includes mining, manufacturing, construction and transportation workers, the increase ranged from $1,399 in 1939 to $2,370 in 1943, or a rise of 169%, while earnings of so-called white collar workers, numbering 17,000,000 in 1943, advanced in the same period from $1,182 to $1,530, or 129%.

The prospects of the automobile industry in the post-war period appear bright if recent figures on a decrease in the general use of motor vehicles serve as a true barometer. The operation of nearly 4,000,000 motor vehicles was suspended in 1942 and 1943 and have not been replaced, the Public Roads Administration disclosed. According to this authority, the Eastern States were most affected, due in part to gas rationing, with the District of Columbia, New York and New Hampshire showing declines of 14.8%, 12.7% and 10.9%, respectively, from 1942 to 1943. It is true that some of these vehicles will be restored to general operation after the war, but it is reasonable to assume that many are outmoded and unfit for further use.

The course of trade and industry the previous week, it is noted, that while the events transpiring in Europe and elsewhere had some retarding effects, they failed to change final results and production and trade were largely sustained. Electric kilowatt output, scheduled steel production, carloadings, and coal and paper production all showed a higher trend. The Fifth War Loan drive, which got off to a good start on Monday of last week in its effort to raise $16,000,000,000 to carry on the war, failed to overshadow the activities of the stock market, which at present is experiencing 2,000,000 and more share days since the invasion, with prices of equities breaking through the year's top levels. Retail trade, though hampered somewhat by prevailing shortages in popular items and inclement weather in some sections, managed to point 4% to 7% higher than in the corresponding period of 1943.

As for electric production, results reveal that output of electricity increased to approximately 4,264,600,000 kwh. in the week ended June 10 from 4,144,490,000 kwh. in the preceding week, as reported by the Edison Electric Institute. The latest figures represent a gain of 5.5% over one year ago, when output reached 4,040,376,000 kwh.

Consolidated Edison Company of New York reports system output of 161,700,000 kilowatt hours in the week ended June 11, 1944, and compares with 186,100,000 kilowatt hours for the corresponding week of 1943, or a decrease of 13.1%.

Local distribution of electricity amounted to 155,200,000 kilowatt hours, compared with 182,700,000 kilowatt hours for the corresponding week of last year, a decrease of 15.1%.

Caution among buyers was noted in the steel market the past week, occasioned in part by the uncertainty and heavy shell needs, which bring the prospects for deliveries of other than war orders close to the year's end. Actual tonnage appearing on mill books, according to "Steel" magazine this week, has shown no perceptible decline, due to war requirements, but an appreciable decrease in the number of orders has occurred, running in some instances from 40% to 50% in the past fortnight. The change in the complexion of the war in Europe has called for a period of readjustment, the magazine states, and but for heavy shell buying, this tendency would have been more pronounced, since cancellations are expected to be heavier as the war progresses.

As for steel ingot production to June 1, total tonnage ran to 37,844,642 net tons and exceeded output for the similar period of last year by almost 1,000,000 tons. May output totaled 7,680,472 tons and was the second highest for the current year and larger than in April of this year and May, 1943, the market summary pointed out, while output was at the rate of 96.8% of capacity as against 98.4% in May, 1943. Pig iron and scrap poses no problem for the industry in contrast with conditions a year ago.

As for the rate of steel production, the American Iron and Steel Institute places scheduled output for the week beginning June 19 at 97.3% of rated capacity, equivalent to 1,742,900 tons of steel ingots and castings. Scheduled output for the current week compares with operations at the rate of 97.1%, and output of 1,739,300 tons a week ago. For the week beginning June 21, last year, steel output totaled 1,690,100 tons, and the rate was 97.6% of capacity.

With respect to freight carried by the railroads, carloadings of revenue freight for the week ended June 10 totaled 874,193 cars, the Association of American Railroads announced. This was an increase of 33,421 cars, or 7.8% above the preceding week this year, which included the holiday on May 30, last, and an increase of 19,707 cars, or 2.3% above the corresponding week of 1943. Compared with a similar period in 1942, an increase of 41,558 cars, or 5.0%, is shown.

Bituminous coal output for the week ended June 10 reflected an increase of 670,000 net tons from the preceding week at 12,560,000 tons, compared with 11,651,000 tons for the corresponding week last year, according to the National Coal Association. Output to date—Jan. 1 through June 10, 1944—aggregated 284,917,000 tons, as against 262,509,000 tons for a like period in 1943. The report of the Solid Fuels Administration placed production for the week ended June 3 at 11,870,000 net tons, against 12,575,000 tons in the preceding week.

As for production in the anthracite fields the U. S. Bureau of Mines reports estimated output of Pennsylvania anthracite at 1,326,000 tons for the week ended June 10, 1944, an increase of 122,000 tons, or 10.1% from the preceding week. An increase of 9,000 tons, or 0.7%, is noted when compared with output in the corresponding week of 1943. For the calendar year to date, however, an increase of 8.0% is shown over the similar period of 1943.

Paper output for the week ended June 10 was equal to 91.5% of capacity, against 88.3% in the preceding week and 88% for the week ended June 12, 1943, the American Paper & Pulp Association's index of mill activity disclosed. As for paperboard, production for the same period was reported at 96% of capacity, against 93% in the preceding week.

Activity marked retail trade in New York last week, with dollar volume gains above a week ago, when trade was retarded to a degree by news of the invasion. Estimated department store sales ranged from 10% to 12% above the same week of 1943. Hot weather was a factor which helped to stimulate sales of sports and beach wear. Apparel markets witnessed heavy buying for fall wear, with greater emphasis on better grade coats and dresses. Acute scarcities were noted in staple cotton fabrics and domestics. According to the Federal Reserve Bank's index, sales in New York City for the weekly period to June 10 showed no change over the same period of last year. For the four weeks ending June 10 sales rose by 8%, and for the year to June 10 they improved by 7%, the same percentage of increase as in previous weeks.

Reporting the progress of independent sales for the month of May, the Bureau of the Census cited a gain of 12% over the same month of 1943. As compared with the volume in April, independent retailers' sales ranged 6% higher for May of this year. Department and apparel stores were in the vanguard of the rise, with hardware, drygoods and general merchandise stores, lumber-building materials dealers, general stores selling foods and others in the order named. Jewelry stores and filling stations declined 4% and 3%, respectively, in May under the volume for the same month last year.

Retail activity in the last week held close to the level of the preceding week, Dun & Bradstreet, Inc., reported, estimating the gain for the nation at 4% to 7% over the corresponding 1943 period. Bad weather in some sections and prevailing shortages of many popular items kept sales volume down. Some stimulus was given to men's wear such as ties, gloves, shirts and other accessories occasioned by Father's Day. Summer apparel in women's wear lines attracted most attention, with beach accessories selling well. The heavy demand for cotton dresses continued and requests for print crepes and black sheers were good. In the children's departments the trade review noted shortages in white shoes and dresses. This was likewise true in furniture and houseware lines. Custom-made lines enjoyed better business as a result of reupholstery customers' preferences for better quality fabrics and current shortages of low-priced readymade slip covers.

As reported by the trade review, retail volume the past week rose 4% to 7% above 1943 throughout the country. Regional increases were: New England, 0% to 4%; East, 1% to 5%; Middle West, 2% to 5%; Northwest, 3% to 5%; South, 8% to 11%; Southwest, 9% to 11%, and the Pacific Coast, 5% to 8%.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index, moved upward by only 2% for the week ended June 10, compared with the same week a year ago, while sales for the four weeks' period ended June 10 advanced by 9% over a similar period a year ago. For the year to June 10 an increase of 6% was noted over a like period in 1943.

Armistice Reported Sought By Finns

An armistice with Russia "within two or three days" was predicted in Stockholm, on June 19, in Finnish Legation circles, said a special cable to the New York "Times" from Stockholm on June 19, which also has the following to say regarding its prediction:

Finland's Minister, Baron Georg A. Gripenberg, has returned, reportedly entrusted with a special mission during his hurried visit to Helsinki yesterday.

With the Red Army nearing Viborg, reports from diplomatic circles in the Finnish capital were to the effect that the object of Baron Gripenberg's conferences with Field Marshal Baron Carl Gustav Mannerheim there yesterday was to discuss Finnish acceptance of Soviet peace terms — if Moscow is still willing.

Russia Plans To Buy Billion Of U. S. Goods, Says Eric Johnston

Eric Johnston, President of the Chamber of Commerce of the United States, told a press conference in Moscow on June 19 that Foreign Trade Commissar Anastas Mikoyan had authorized him to say the Soviet Union wants to buy "many billions of dollars' worth of American goods on purchase terms mutually advantageous to the two countries involved," said Associated Press dispatches from Moscow, on June 19, which added:

"Furthermore," Mr. Johnston said, "the Russians would pay for these purchases strictly on agreement and time purchases. There is no question about their not paying in full."

Asked for specific figures on business which the Russians wished to do with the United States, Mr. Johnston replied: "I haven't got the figures. All I could get was 'many billions'."

Mr. Johnston said he had seen a very great amount of American equipment around Moscow.

The American business leader visited Leningrad and is planning to visit industrial areas in the Ural Mountains. He is expected to return to the United States by July 8, by way of Teheran.

Johnston said that in talks with Mikoyan, which preceded his press conference by only a few minutes, he obtained the impression that the Russians principally want capital goods.

Wm. Leiserson Resigns From Mediation Board

The resignation of William M. Leiserson as Chairman of the National Mediation Board and Chairman of the National Railway Panel was made known by the White House on June 8. The Mediation Board, set up in 1934, handles railway labor disputes. In accepting "reluctantly" the resignation of Dr. Leiserson, President Roosevelt asked that he remain until a successor was named "within a short time." The President also said in his letter to Dr. Leiserson:

"I need not tell you how very much I appreciate the invaluable service you have rendered in the labor field to me and to the country during the most critical period of the war. My good wishes go to you in your new work."

In tendering his resignation to the President, Dr. Lieserson said: "I must resume work on certain economic studies which had to be dropped when I entered the Government service."

Advices to the New York "Times" from Washington June 8 stated that Dr. Leiserson has been named visiting professor at Johns Hopkins University and will pursue studies on labor problems.; it added:

Labor, organ of the Railway Brotherhood, says in its current issue that besides the official reason for Dr. Leiserson's resignation, an even more important factor was the Administration's "mishandling" of the railway labor dispute last fall and winter. In the resignation, it adds, "labor and management have lost the services of one of the most outstanding authorities in industrial relations."

A Finnish crisis is generally expected tomorrow with the resignation of Premier Edwin Linkomies. Dr. Juho K. Paasikivi is reported to have been asked to head a Cabinet that would have the task of accepting Moscow's March peace terms—that is, if Russia is still willing to make peace on those terms. It is still asserted that Finland would keep on fighting rather than surrender unconditionally.

Churchill Says This Summer May Bring Success To Allied Cause

Prime Minister Churchill in a speech delivered on June 15 to diplomats at the Mexican embassy in London, and released on June 19, said that this summer may bring success to the cause of freedom, according to an Associated Press dispatch from London on June 19, which gave Mr. Churchill's speech as follows:

Your Excellencies, my Lords and Gentlemen:

I must express my sincere gratitude for the extremely kind terms in which His Excellency, the Ambassador, has proposed this toast to me and for the evident lack of repugnance with which you have supported it.

It is a great moment in the history of the world, and it may be that events will occur in the next few months which will show up whether we are soon to be relieved of the curse which has been laid upon us by the Germans. Whether it be this year or next, the British and American peoples will never falter or withdraw their hands from the task which they have undertaken. Together with our allies, we will go on to the end, and the end will be the more terrible for our foes the longer their struggle continues and the longer this war is protracted.

It is a very important thing that there should be gathered around this table, thanks to His Excellency, the representatives of that famous conference in Rio de Janeiro in January, 1942, where Latin America associated itself with the United States in their stand against the Axis. I am glad to see here the Ambassadors of the United States and Brazil, whose countries played leading roles at that conference. Your Excellency's Foreign Minister was also there and the general opinion is that the conference was swayed by the speech of Senor Ezequiel Pedilla, Foreign Minister of Mexico, who carried away honors by his statements.

Time has passed, and after the initial attack launched by an enemy after a long scheme of rearmament and of aggressive plans with well prepared armies, and the natural suffering at the outset, we have moved on from that to a band of brother states all over the globe, all gathered against this enemy and showing that peaceful peoples, if they have time, can with their industries and their heart produce all the weapons and equipment of war necessary for this fight. Here we are now, free peoples who have shown to the world that they can put into the field men well trained and equipped with all the necessary weapons of war.

It gives great pleasure to me and to my colleagues to be here at your table today to express in a definite form the great regard which the peoples of the British Islands, the British Empire and the British Commonwealth of Nations, as we are, the very warm regard we feel toward Mexico, and I drink with greatest pleasure the toast to your esteemed and honored President. I have never been to Mexico. I hope I shall be able to do so in the span of life left to me. But all I have seen and heard about her attracts me as one of the most beautiful parts of the world, with all her old traditions of history, and with a climate where one has much more sunshine than Your Excellency is likely to experience during your stay here.

I am afraid that our friends in the diplomatic corps have suffered very much inconvenience from the ban which we thought it necessary to impose. We thought it was absolutely necessary so that we could say afterward that nothing had been left undone to keep the secret of military preparations, and therefore we had to put you to this inconvenience. But we know that you share our interest to a very high degree that this secret should be kept.

There is no doubt that secrets can be kept. The secret of landing in North Africa was kept although several thousands were aware of it. Many more have been aware of this one. In both cases tactical surprise of the enemy was achieved, and he had no idea until he saw the ships coming out of the mists of the morning when he was going to be hit, how he was going to be hit or where he was going to be hit.

This great struggle in which the lives of a million men may be engaged now on both sides requires extraordinary precautions.

Of course, we have not embarked on this great adventure without being in full accord with our Russian allies and the decisions taken at Teheran, and although the execution of the plans adopted there is far from being complete, it is being steadily unrolled and the months of this summer may by the victories of this Allied campaign bring full success to the cause of freedom.

Your Excellency, it is a great pleasure for us to come here and to express to your country, Mexico, warm regard and respect. We are prevented by the exigencies of war from carrying on trade and offering to your country many of those products which we supplied previously, but immediately after the war is over we hope to resume and increase trade between this country and Mexico.

We know no fear, we stand together, we have our American brothers fighting side by side with us, as if we were one and not only allies, each representing and helping the other.

Even during this war, in strife in Normandy, far away in the jungles of Burma, in Italy and in the Pacific Ocean an effort is being made to achieve a permanent cooperation and to build up an organization which after this war will strengthen the bonds between all our nations and will succeed in preserving peace, an organization which will not exclude innocent and fruitful arrangements between individual nations, nor relations within the American continent, nor relations of the British Commonwealth, nor internal relations of Europe. We look forward to a future in which the rights of small nations will be upheld and protected and in which the strong will use their power under law for the protection of the weak.

Polish Jews Will Be Free Again: Roosevelt

President Roosevelt, in a message to the 35th annual convention of the American Federation of Polish Jews, which opened on June 17, asserted that "despite all odds its efforts will continue until the liberation of these innocent peoples is achieved," said the New York "Times" of June 18, which also had the following to say about the President's message:

Four hundred delegates from organizations of American Jews of Polish descent heard the President's message, which was addressed to Benjamin Winter, President of the Federation. The message follows:

"It gives me pleasure to extend my greeting to you and the members of your organization on the occasion of the meeting of its 35th convention. The problems which confront you in the noble work of rehabilitation of the Polish Jewry provide a challenge, the poignancy of which fills men's hearts with determination so deep and strong that, despite all odds, the efforts will continue until the liberation of these innocent peoples is acheived."

Peruvian Debt Talks Reported Unsuccessful

The Foreign Bondholders Protective Council, Inc., has concluded seven weeks of discussions in Lima with the Peruvian Government, and the Council's representative has returned to the United States, it was reported by the Foreign Bondholders Protective Council, Inc. The effort to obtain a resumption of service on the dollar bonds of the Peruvian Republic, the Province of Callao, and the City of Lima on a scale which the Council could recommend to bondholders for acceptance was unsuccessful. It was mutually agreed that discussions would not terminate, however, and that they should be resumed in the early fall, said the Council, which added:

"Peru is prosperous, anxious to maintain close fraternal ties with the United States and to assist in the war effort. She produces war materials and has received from this country large amounts of economic, lend-lease, and other financial support. Her bonds have been in default more than 12 years. Peru does not deny her responsibility for the bonded debt or feel pinched for revenue, but insists that her margin of trade and exchange is too small to justify payment of any substantial amount on either interest or principal. The Council considers that Peru can and should resume substantial service on her bonded debt, and that the interests not only of American bondholders but of Peru itself call for this action. The Peruvian Government and the Council were far apart in their interpretation of Peru's obligation and capacity. It is hoped that a later resumption of discussions may lead to something the Council can with justice submit to bondholders."

"Odd Lot" Shoes To Be Sold Ration Free July 10-29

Limited quantities of "odd lot" shoes may be sold to consumers ration-free at specified price reductions during the three-week period, July 10 through July 29, the Office of Price Administration announced on June 12. The announcement stated in part:

"Men's and women's shoes of all sizes, and youths' and boys' shoes of sizes 1 to 6 (shoes worn by boys beginning at about seven years of age), are included in the release. Children's and misses' and little boys' shoes are not affected by today's action, since those shoes were temporarily ration-free during the first three weeks of May.

"In preparation for the retail sales starting July 10, members of the shoe trade will be given a month—June 15 through July 15—to transfer fixed percentages of their odd-lot shoes to other dealers. The trade transfers may be made by all dealers—manufacturers, wholesalers and retailers.

"OPA said that this action—similar to one taken last July—will help dealers dispose of the normal accumulation of broken sizes and other odds and ends which are usually sold at reduced prices but which, under rationing, need to be declared stamp-free if stocks are to be cleared.

"It is estimated that possibly 7,000,000 pairs of shoes—or less than 1.5% of this year's estimated total supply of shoes—will be made available to consumers ration-free under the new provision. In order to confine the clearance to shoes that are actually unsalable for ration currency all dealers are limited to fixed percentages of their Sept. 30, 1943, inventories and they must take specified price reductions. . . .

"The sale price for shoes transferred ration-free between dealers may not exceed a price 25% below the lowest price at which the shoes were offered on June 1, 1944, to persons other than consumers."

U. S. Must Help Asia Raise Living Standards, Wallace Declares In Pacific Relations Pamphlet

The United States must take the lead in bringing defeated Japan and all the colonial peoples of the Pacific into the ranks of a "Free Asia" after the war, and must, for its own sake, cooperate with the nations of Asia in a program to raise living standards throughout the Orient, Vice President Henry A Wallace declares in "Our Job in the Pacific," a pamplet published June 15 by the American Council of the Institute of Pacific Relations, in New York.

America must avoid equally the roles of Santa Claus and Simon Legree, the Vice-President declares in his statement, written shortly before he left America on his current mission to the Far East. Instead, he says, there must be a practical approach which would find enormous new markets in the Orient for our greatly expanded industrial capacity and would protect American prosperity by bolstering the economic systems of other Pacfiic nations.

"What we want," Mr. Wallace says, "is prosperity combined with security. We cannot have prosperity for ourselves alone. We cannot sell unless others can buy. We cannot maintain a high standard of living if it is to be undermined by the low standards of others. "The same thing," he says, "is true of security. Our security must be part of a common structure."

An international organization, backed by force, is essential to any plan for a stable peace and prosperity in the Pacific, Mr. Wallace asserts. Seeing Russian-American friendship as "one of the main pillars of the century of the common man," and "a free, strong, prosperous and democratic China" as potentially a "powerful stabilizing factor in the Pacific," Mr. Wallace says "there is no way of balancing China against Russia, or Japan against either of them, which will not lead to another war. There is no way to protect the small and weak countries in Asia from aggression by the larger powers without an international plan backed by international force."

Mr. Wallace envisions investment of American capital in the Orient as a principal means of achieving full post-war employment in the United States, and says:

"Asia's need after the war will be for capital and technical assistance.

"America's need will be to utilize fully our greatly expanded industrial capacity. Orderly and continuous progress on both sides of the Pacific will depend on success in matching up both kinds of need for the benefit of everyone concerned. Industrialization will raise the standard of living of Asiatic peoples and create new markets for American goods and opportunities for American investment."

But Mr. Wallace warns that as Asia is still largely in the stage of primitive agriculture, a sound industrial development must be based on modernization of agricultural techniques. Asserting that Asia cannot permanently exist half free and half subject, Mr. Wallace says that "it is not to our advantage to perpetuate this division." He names India, the Netherlands East Indies, Burma, Malaya and Indo-China as among the subject countries referred to.

Japan, he says, will fall at the end of the war into still another category, for while "our primary objective must be to keep Japan disarmed," yet "we cannot keep Japan in permanent subjection without going against the trend toward the reduction of colonial areas." He suggests that Japan should become "an Asiatic Sweden," working for self-sufficient food production, for high technological skill and quality production rather than for military power.

A strong China, Mr. Wallace declares, is in the interest of the democracies. During the war, he says, China "has maintained steadily the pledge that she is fighting for the democratic order." She will have important internal problems and her handling of them will "affect China's credit in the eyes of investors and businessmen." After the war, China will "have her historic opportunity to refute the skeptics who have so long maintained that regionalism and factionalism are incurable blemishes of the Asiatic political heritage." In conclusion Mr. Wallace says:

"As I see it, the kind of policy in the Pacific that would be welcomed and supported by Americans would have these characteristics:

"It would be generous in helping to create independence—independent individuals, communities, nations.

"It would be wary of creating dependents — dependent individuals, communities, nations.

"It would be willing to associate with others in minding the world community's common business; but it would fight shy of minding other people's private business, just as it would resent having our business minded by others.

"It would insist on a practical approach geared to specific problems and specific regions and peoples, and would avoid the kind of theoretical approach which first draws up a perfect scheme and then attempts to cram living men and their problems into that scheme."

Astwood Asst. Sec. Of Commerce & Ind. Ass'n

Henry K. Astwood has been appointed Assistant Secretary of the Commerce and Industry Association of New York, Inc., it was announced on June 8, by Association Secretary Thomas Jefferson Miley. Mr. Astwood has been with the Association for three years, recently as Manager of the Industrial Bureau, in which capacity he created and helped develop the work of the Association's War Contracts Division, which has succeeded in locating millions of dollars of war work for prime and subcontractors in the metropolitan area. Under his guidance, it is stated the Industrial Relations Division of the Bureau is furnishing New York business men with a comprehensive service on all problems dealing with wage stabilization and personnel.

May Living Costs Up 0.3%

Living costs of the average family of wage earners and lower-salaried clerical workers in the United States rose 0.3% from April to May, according to the National Industrial Conference Board.

Sundries were up 0.4%, food, 0.5%, and clothing, 0.4%. Fuel and light remained unchanged, said the Board on June 16; it added:

The Board's index of the cost of living (1923=100) stood at 104.4 in May, against 104.1 in April and 104.2 in May, 1943.

The level of living costs was 0.2% higher than that of a year ago. Sundries showed the greatest advance over May, 1943, with an increase of 6.1%. Other advances during the 12 months were: fuel and light, 2.9%, and clothing, 4.3%. Housing remained unchanged, while food declined 4.4%.

The purchasing power of the dollar, on the basis of 100 cents to the dollar in 1923, which amounted to 96.1 in April declined to 95.8 in May. It stood at 96.0 cents in May, 1943.

The Financial Situation

(Continued from first page)

campaign was launched in the following spring, excess reserves had dwindled to around $2 billion; the campaign of that autumn found them down to around $1.5 billion; and when the "drive" early this year got under way they were not very much more than $1 billion. On June 7 last they stood at $800 million. On Dec. 2, 1942, weekly reporting member banks in 101 cities held $24.8 billion in Government obligations; at the end of the "drive" they held about $28.0 billion. Their holdings approximated $29.0 billion by the time the second campaign was opened in the spring of 1943. The third war loan effort the following autumn found these banks with government obligations in the amount of some $34 billion. They had increased their holdings to about $39 billion by the time the campaign early this year got under way. By the time the present "drive" was started these banks had, however, reduced their government portfolio to around $37 billion. The pressure of their reserve position had borne fruit.

Reserve Purchases

But if member banks have been disposing of their holdings of such obligations, the Reserve banks have been taking them up. Indeed, it had definitely become necessary for them to do so in order, first, to protect the market, and, second, provide member banks with reserves they required to maintain their existing asset position. Thus we find the 12 Reserve banks when the first war loan was offered in the autumn of 1942 holding less than $5 billion government obligations. These holdings had been increased to some $6.5 billion by the time the second drive opened; the third campaign found the reserve institutions with about $9.3 billion; while the fourth, last winter, began with these central banks holding some $11.9 of governments. On June 7 they held $14.6 billion.

The Reserve authorities, possessing authority to reduce the reserve requirements of member banks, has chosen rather to permit these requirements to remain high relative to pre-New Deal standards and to supply the member banks with reserves by open market purchases of Governments. It could have avoided purchasing such large amounts of these obligations, doubtless, had it reduced required reserves to the rates obtaining prior to 1936, but it would then have been necessary for member banks to buy many more of them than they actually did buy. Those who fear further drastic decline in the Reserve ratio would do well to consider the fact that the Reserve authorities can relieve themselves of pressure at any time by reducing the reserve requirements of member banks thus enabling the Reserve banks to cease buying governments, and perhaps to sell part of their present holdings.

Essentials

But these and other such facts are largely mere technicalities. The essential truth is that our banking system has become quite waterlogged with government securities, and is almost certainly destined to become more so as time passes, assuming a continuation of hostilities and the large war expenditures which have been and in such circumstances doubtless will continue to be necessary. What is more this extension of the asset position of the banks of the country has correspondingly enlarged the money supply, and will without doubt continue to do so. It is not quite a matter of indifference even under existing circumstances whether the Reserve banks or member banks hold the bonds, but the essential fact after all is that one or the other hold them and must hold them at least for the time being as a matter of financing the most expensive war in all history.

It may as well be frankly admitted that there is apparently not a great deal that can be done about the situation at the moment. The long period of New Deal waste and deficit financing is a matter of history, and the general plan for financing the war has been laid down and is not easily changed at this time. We shall have to go forward pretty largely as we have been doing probably until the war comes to an end, or at least is much reduced in scope. What can be done now, however, is to look this situation squarely in the face, recognize its ugly implications, resolve definitely to begin remedying it the moment the return of peace makes that possible, and reach an understanding of what is required to remedy it. What must be done, of course, is to reverse the process by which we reached this unfortunate position. That is to say we must begin definitely to live within our means, not only balancing the budget but reducing the national debt steadily. This is the first fundamental. There are many other incidental or secondary tasks. They have to do with the liberation of the money market from the plague of manipulation under which it has been functioning for a long while past—and of course a reshaping in all manner of policies in such a way that business will be encouraged, not placed under every handicap that day dreamers can conjure up. It is not too early to inject this highly important element into our post-war planning.

President Signs Bill Increasing Federal Debt To $260 Billion—Cabaret Tax Reduced

Under legislation passed by Congress and signed by President Roosevelt on June 9 the debt limit of the Federal Government is raised, effective July 1, from $210,000,000,000 to $260,000,000,000, and the night club cabaret tax is reduced from 30% to 20%. Under date of June 10, Associated Press advices from Washington stated that the increased debt limit clears the way for the $16,000,000,000 Fifth War Loan drive, which was brought under way on June 12. The press advices added:

"Before sending the bill to the White House Congress eliminated a Senate provision exempting members of the armed services from the night-club tax. Tax experts had said the provision would be impossible to administer.

"The night-club tax was raised from 5 to 30% on April 1. Backers of the reduction to 20% said the 30% levy had thrown entertainers out of work and that the government was losing revenue because of a decline in night-club business.

"Lifting of the debt ceiling does not actually increase the debt, but authorizes additional borrowing by the government. The debt now is about $188,000,000,000."

In passing this bill increasing the Federal debt limit the House on May 8, raised the limit from $210,000,000,000 to $240,000,000,000; this was indicated in our issue of May 18, page 2065. On May 31, the Senate passed a bill raising the national debt limit to $260,000,000,000, after adopting an amendment reducing the cabaret tax from 30% to 20%, this amendment having been tacked on to the Senate bill as a rider; the $260,000,000,000 debt limitation had been approved by the Senate Finance Committee on May 25. On June 1 the House refused to accept the $260,000,000,000 debt proposal of the Senate, as well as the latter's cut in the cabaret tax, and as a result the bill was sent to conference; the conferees agreed on June 5 to the cut to 20% in the cabaret tax, and decided to fix the national debt limit at $260,000,000,000 as originally requested by the Administration.

The Senate approved the conference report on June 6, but the House delayed action until June 7, when it accepted the report by a vote of 172 to 54, the bill thereupon going to the White House for Presidential action.

Regarding the House revolt on June 6 against Senate action in tacking the cabaret rider on the public debt bill, Associated Press accounts from Washington June 6, said:

"Chairman Robert Doughton, Democrat, of North Carolina, told the House "the cabaret tax has no place in this bill," but supported the debt measure, explaining that it is necessary to clear the legislation before the $16,000,000,000 fifth war loan drive opens June 12.

"Representative Fred L. Crawford, Republican, of Michigan, declared the cabaret industry by coming in here at this time . . . has disgraced itself." Representative Frank Carlson, Republican, of Kansas, declared of the night-club rider: 'It's ridiculous on this day of invasion.'

"Some members complained also against the $50,000,000,000 jump in the debt limit, contending a new ceiling at $240,000,000,000, as originally passed by the House, would be sufficient."

The increase in the cabaret tax was provided for in the Revenue Act of 1943 enacted Feb. 25, 1944.

N. Y. State Factory Jobs Drop 2.1% In May Payrolls 0.5% Lower

A further drop of 2.1% in factory employment in New York State between April and May brought the cumulative decline to 7.6% for the six-month period since last November. Payrolls decreased only slightly from their April levels, according to a statement released on June 15 by Industrial Commissioner Edward Corsi. War plants again curtailed forces and the seasonal slump continued in most of the apparel industries. Further employment declines also occurred in textiles, furniture, paper, printing and leather goods. Food products and petroleum were the only industries to augment their working forces, says the Commissioner, who further stated:

"The index of factory employment based on the average of 1935-1939 as 100, was 149.2 for May, which represents a decrease of 6.3% since May, 1943. The payroll index was 284.5, a decrease of 0.5% from April and of 0.1% from May of last year. Average weekly earnings were $47.35 in May, compared with $46.48 in April. The above statements are based on preliminary tabulations by the Division of Statistics and Information under the direction of Dr. E. B. Patton and cover reports from 2,870 manufacturing firms throughout the State.

"While employment dropped 2.1% in the metals and machinery industry in May, the payroll decline was only 0.3%. Sharp employment declines were reported by manufacturers of aircraft, tanks, munitions, electrical equipment and scientific instruments. Payrolls were higher in aircraft and shipbuilding industries and declined only slightly in the others. Steel mills also had fewer workers with increased payrolls.

"The severest cuts in employment and payrolls among the apparel industries were reported by manufacturers of women's suits, coats and skirts, and millinery. Some suit, coat and skirt factories were shut down completely while others operated with skeleton forces. Payrolls dropped 45% in the industry. Women's dress factories, on the other hand had slight increases. Men's clothing firms had fewer workers but their payrolls were higher. Increases in the children's clothing and fur goods industries served to offset part of the losses in the apparel group, which showed net declines of 4.7% in employment and 3.7% in payrolls.

"Employment continued to drop in most textile mills in the State, including cotton, rayon, wool, knitting, finishing and miscellaneous. Payrolls were lower in all these branches except cotton and miscellaneous where increases were small. Fairly sharp decreases in both employment and payrolls were noted in the furniture and rubber industries. Employment declined in paper and printing but payrolls increased a little. In the leather group, the shoe industry had fewer workers but higher payrolls and the glove industry lost many workers.

"A small increase in employment in the food industry was accompanied by a gain of 3% in payrolls. Ice cream plants and breweries reported fairly large employment and payroll increases, meat, canning, baked goods and confectionery industries had fewer workers but larger payrolls. In the petroleum products industry there were slight increases in both employment and payrolls.

"Employment in New York City declined 2.6% and payrolls dropped 1%. The movement in most industries in the city were in the same direction as they were for the State as a whole. War industries were not laying off help at as fast a rate as those up-State, while clothing factories had larger lay-offs. The sharper drop in total employment in the city as compared with up-State reflects the greater influence of the decline in the apparel industry there."

Unemployment Insurance Benefits Lower In First Quarter

Unemployment insurance figures for the first quarter of 1944 showed a 32.7% decrease in the number of new claims for unemployment benefits as compared with the first quarter of 1943, and a decrease of 51.2% in the number of weeks of unemployment for which compensation was paid, Federal Security Administrator Paul V. McNutt announced on June 15, and added:

"A gross total of $18,777,510 was paid out in benefits, 44.4% less than during the first quarter of 1943, and 84.8% less than the first quarter of 1942.

"These figures, compiled by the Social Security Board's Bureau of Employment Security, indicate the current low level of insured unemployment, Mr. McNutt said, and the rapid reabsorption of workers who become temporarily unemployed. However, he added, a month-by-month examination of 1944 figures shows an average of 112,000 persons receiving weekly insurance checks in March, an upswing of 8% over February. . . .

"These figures do not present the complete unemployment picture, Mr. McNutt said, for not all workers are eligible for unemployment insurance if they lose their jobs. Of the 51,000,000 civilians employed in March, about 40,000,000 workers were in jobs enabling them to earn unemployment insurance credits. Total weekly unemployment figures for March averaged about 870,000 persons, of which only 112,000 were eligible for unemployment insurance. These unemployed workers, the Board's report indicates, were not the same workers week after week. Most of them were unemployed for just a few weeks, and then found other jobs.

"As our war economy approaches the period of reconversion to peacetime production, and there are curtailments in some war industries, claims for unemployment payments may be expected to continue to rise. However, the State unemployment insurance systems are better prepared to meet a high number of claims, if and when they occur, than ever before.

"The long period of defense and wartime employment has resulted in the accumulation of unemployment insurance funds totaling over $5,000,000,000. This amount is broken into 51 separate funds, one for each of the 48 States, the District of Columbia, Alaska, and Hawaii. Individual State funds are larger than they have ever been. The New York fund has over $650,000,000 in it, Pennsylvania has over $500,000,000, California nearly that much, and Illinois over $400,000,000, while New Jersey and Ohio each have over $300,000,000 in their funds. North Dakota, at the smallest end of the scale has a fund of about $4,000,000.

"Mr. McNutt said the $5,000,000,000 in the trust funds should provide a good shock absorber for much of the economic readjustment that may come with the transition to peacetime production."

President Appeals To All Americans To "Buy War Bonds Without Stint"

In an appeal to the nation in signalizing the start of the $16,000,000,000 Fifth War Loan drive on June 12 President Roosevelt declared that "whatever else any of us may be doing, the purchase of war bonds and stamps is something all of us can do and should do to help win the war." and he expressed himself as "happy to report tonight that it is something which nearly everyone seems to be doing."

In an address at Washington, over a nation-wide radio program, the President told the people of the nation that "there is a direct connection between the bonds you have bought and the stream of men and equipment now rushing over the English Channel for the liberation of Europe. There is a direct connection between your war bonds and every part of this global war today." Reciting that "today we are on the offensive all over the world—bringing the attack to our enemies," the President in referring "to our enemy who is first on the list for destruction," said that "Germany has her back against the wall — in fact three walls at once." In referring to what had been accomplished "in the Pacific" the President said among other things that "by repeated relentless submarine and naval attacks, amphibious thrusts, and ever-mounting air attacks, we have deprived the Japs of the power to check the momentum of our ever-growing and ever-advancing military forces." Conceeding that "we still have a long way to go to Tokyo," the President declared however that "carrying out our original strategy of eliminating our European enemy first and then turning all our strength to the Pacific, we can force the Japanese to unconditional surrender or to national suicide much more rapidly than has been thought possible." He also said that "from the standpoint of our enemy we have achieved the impossible. We have broken through their supposedly impregnable wall in northern France. But the assault has been costly in men and costly in materials."

"Americans," said the President, "have all worked together to make this day possible."

"The liberation forces now streaming across the Channel and up the beaches and through the fields and the forests of France are using thousands and thousands of planes and ships and tanks and heavy guns. . . . There is a shortage of nothing—nothing! And this must continue."

And everyone "observed the President —" every man or woman or child, who bought a war bond helped—and helped mightily." He added "one sure way every man, woman and child can keep faith with those who have given, and are giving, their lives is to provide the money which is needed to win the final victory." The President concluded by urging "all Americans to buy war bonds without stint." The President's address as given in Associated Press accounts follows in full:

"All our fighting men overseas today have their appointed stations on the far-flung battle fronts of the world. We at home have ours, too. We need, and are proud of our fighting men—most decidedly. But during the anxious times ahead let us not forget that they need us, too.

"It goes almost without saying that we must continue to forge the weapons of victory—the hundreds of thousands of items, large and small, essential to the waging of the war. This has been the major task from the very start. It is still a major task. This is the very worst time for any war worker to think of leaving his machine or to look for a peacetime job.

"And it goes almost without saying, too, that we must continue to provide our government with the funds necessary for waging war not only by the payment of taxes—which, after all, is an obligation of citizenship—but also by the purchase of war bonds—an act of free choice which every citizen has to make for himself under the guidance of his own conscience.

"Whatever else any of us may be doing, the purchase of war bonds and stamps is something all of us can do and should do to help win the war.

"I am happy to report tonight that it is something which nearly every one seems to be doing. Although there are now approximately 67,000,000 persons who have or earn some form of income (including the armed forces) 81,000,000 persons have already bought war bonds. They have bought more than 600,000,000 individual bonds; their purchases have totaled more than $32,000,000,000. These are the purchases of individual men, women and children. Any one who would have said this was possible a few years ago would have been put down as a starry-eyed visionary. Of such visions, however, is the stuff of America fashioned. Of course, there are always pessimists with us. I am reminded of the fact that after the fall of France in 1940 I asked for the production by the United States of 50,000 airplanes a year.

"I was called crazy—it was said that the figure was fantastic: that it could not be done. Today we are building airplanes at the rate of 100,000 a year.

"There is a direct connection between the bonds you have bought and the stream of men and equipment now rushing over the English Channel for the liberation of Europe. There is a direct connection between your war bonds and every part of this global war today.

"Tonight, therefore, on the opening of this Fifth War Loan drive, it is appropriate for us to take a broad look at this panorama of world war. For the success or failure of the drive is going to have so much to do with the speed with which we can accomplish victory and peace.

"While I know that the chief interest tonight is centered on the English Channel and on the beaches and farms and cities of Normandy, we should not lose sight of the fact that our armed forces are engaged on other battle fronts all over the world, and that no one front can be considered alone without its proper relation to all.

"It is worth while to make overall comparisons with the past. Compare today with just two years ago—June, 1942. At that time Germany was in control of practically all of Europe, and was steadily driving the Russians back toward the Ural Mountains, Germany was practically in control of North Africa and the Mediterranean, and was beating at the gates of the Suez Canal, the route to India. Italy was still an important military and supply factor —as subsequent, long campaigns proved.

"Japan was in control of the western Aleutian Islands, and in the South Pacific was knocking at the gates of Australia and New Zealand—and also threatening India. She had seized control of nearly one-half of the central Pacific.

"American armed forces on land and sea and in the air were still very definitely on the defensive and in the building-up stage. Our allies were bearing the heat and the brunt of the attack.

"In 1942 Washington heaved a sigh of relief that the first war bond issue had been cheerfully over-subscribed by the American people. In those days America was still hearing from many 'amateur strategists' and political critics, some of whom were doing more good for Hitler than for the United States.

"Today we are on the offensive all over the world—bringing the attack to our enemies.

"In the Pacific, by relentless submarine and naval attacks, amphibious thrusts and ever-mounting air attacks, we have deprived the Japs of the power to check the momentum of our ever-growing and ever-advancing military forces. We have reduced their shipping by more than three million tons. We have overcome their original advantage in the air. We have cut off from a return to the homeland tens of thousands of beleaguered Japanese troops who now face starvation or surrender. We have cut down their naval strength, so that for many months they have avoided all risk of encounter with our naval forces.

"True, we still have a long way to Tokyo. But, carrying out our original strategy of eliminating our European enemy first and then turning all our strength to the Pacific, we can force the Jaanese to unconditional surrender or to national suicide much more rapidly than has been thought possible.

"Turning now to our enemy who is first on the list for destruction, Germany has her back against the wall—in fact, three walls at once!

"On the south we have broken the German hold on central Italy. On June 4 the city of Rome fell to the Allied armies. Allowing the enemy no respite, the Allies are now pressing hard on the heels of the Germans as they retreat northward in ever-growing confusion.

"On the east, our gallant Soviet allies have driven the enemy back from the lands which were invaded three years ago. Great Soviet armies are now initiating crushing blows.

"Overhead, vast Allied air fleets of bombers and fighters have been waging a bitter air war over Germany and western Europe. They have had two major objectives: to destroy German war industries, which maintain the German armies and air forces, and to shoot the German Luftwaffe out of the air. As a result German production has been whittled down continuously, and the German fighter force now has only a fraction of its former power.

"This great air campaign, strategic and tactical, will continue—with increasing power.

"On the west, the hammer blow which struck the coast of France last Tuesday morning was the culmination of many months of careful planning and strenuous preparation.

"Millions of tons of weapons and supplies and hundreds of thousands of men assembled in England are now being poured into the great battle in Europe.

"From the standpoint of our enemy, we have achieved the impossible. We have broken through their supposedly impregnable wall in northern France. The assault has been costly in men and materials. Some of our landings were desperate adventures, but from advices received so far, the losses were lower than our commanders had estimated would occur. We have established a firm foothold and are now prepared to meet the inevitable counter-attacks of the Germans—with power and confidence. We all pray that we will have far more than a firm foothold.

"Americans have all worked together to make this day possible.

"The liberation forces now streaming across the Channel and up the beaches and down the highways of France are using thousands and thousands of planes and ships and tanks and heavy guns. They are carrying with them many thousands of items needed for their dangerous, stupendous undertaking. There is a shortage of nothing — nothing! This must continue.

"What has been done in the United States since those days of 1940—when France fell—in raising and equipping and transporting our fighting forces, and in producing weapons and supplies for war, has been nothing short of a miracle. It was largely due to American teamwork — teamwork among capital and labor and agriculture, between the armed forces and the civilian economy—indeed among all of them.

"And every one who bought a war bond helped—and helped mightily!

"There are still many people in the United States who have not bought war bonds, or who have not bought as many as they can afford. Every one knows for himself whether he falls into that category or not. In some cases his neighbors know also. To the consciences of those people, this appeal by the President of the United States is very much in order.

"All of the things which we use in this war, everything we send to our fighting Allies, costs money—a lot of money. One sure way every man, woman and child can keep faith with those who have given, and are giving, their lives, is to provide the money which is needed to win the final victory.

"I urge all Americans to buy war bonds without stint. Swell the mighty chorus to bring us nearer to victory!"

President Signs Elk Hills Oil Bill; Objects To Power Given Congress

President Roosevelt, in signing the Elk Hills Oil Bill on June 17, stated his objections to provisions in the measure, which he contended would vest the Congress with "what amounts to executive powers over the Administration of the Naval petroleum reserves," according to a special dispatch to the New York "Times" from Washington on June 17, which also had the following to say about the matter.

He approved the bill because he had been told by James V. Forrestal, Secretary of the Navy, that there was immediate need for legislation "to deal with the problems of drainage and current production from the naval petroleum reserves."

In approving the legislation the President did not wish to be understood as expressing approval of all its provisions.

"On the contrary," he said, "I regret to say that in several places this act departs from principles of government which have been long established and which are in my opinion, fundamentally sound. I feel it is my duty to express my concern lest this departure be continued in future legislation.

"The provisions of the act to which I have reference would vest the Congress with what amounts to executive powers over the administration of the naval petroleum reserves.

"This legislative assumption of executive functions takes form in two requirements—first, that the Secretary of the Navy, even with the approval of the President, may produce petroleum from these reserves only in the quantities from time to time specified by the Congress, and, secondly, that the Secretary may not condemn lands or enter into joint or unit contracts, or other contracts or leases, without prior consultation with the Naval Affairs Committees of the Congress.

"The first requirement, in addition to being objectionable from the standpoint of principle, was apparently drafted without proper cognizance being taken of the fact that an emergency necessitating a sharp increase in production might arise during a recess of the Congress.

"The second requirement I would have considered unwise enough if it had merely placed the executive function of advising and consulting on contracts and leases in the hands of the two houses of the Congress. But to go further and to delegate, as it were, this function to two committees of the Congress is, in my opinion, to disregard principles basic to our form of government.

"Efficient and economical administration can be achieved only by vesting authority to carry out the laws in an independent executive, and not in legislative committees. This act, in my opinion, impinges deeply upon this fundamental principle of good government embodied in the Constitution."

Censorship Should Be For Security Only Roosevelt Asserts

An expression that considerations of military security alone should guide the operations of Allied censorship in war theaters was emphasized by President Roosevelt in response to a request from Kent Cooper, executive director of the Associated Press, that the President intercede in obtaining release of an A. P. interview with Marshal Tito. This is learned from an Associated Press item appearing in the New York "Herald Tribune" of June 3, in which it was further stated:

The interview in question, obtained by Associated Press war correspondent Joseph Morton, was released by Allied military censorship in the Mediterranean theater on May 20, three weeks after it was filed and four days after Mr. Cooper addressed appeals to Mr. Roosevelt and Prime Minister Churchill.

No response has been received from Mr. Churchill.

"In the exchange of correspondence with the President, the release of which has White House approval, Mr. Cooper, on May 16 said he was writing to Mr. Roosevelt "because of my deep concern that no barriers be erected unduly to block either American journalistic enterprise or the avenues whereby this enterprise may contribute to better information and broader understanding of European affairs among the American people."

After noting that he did not seek to disclose military matters against the wishes of the military and that the dispatch in question was political news instead of military news. Mr. Cooper added:

"I feel that you will be the last to want to suppress the right of any leader allied in this war from expressing his views to the United States.

"This entire matter of suppression, Mr. President, is fraught with extreme danger in that if matters of a political nature are unduly subject to censorship, then we are drifting into the darkness that brings misunderstanding. In such darkness there is brewed the thing that causes another war."

On May 25 the President replied as follows:

"Dear Mr. Cooper:

"I am happy to note, with regard to your letter of May 16, 1944, that The Associated Press article in question has been released from the Mediterranean area for publication. I agree with you that the full flow of news from the theaters of operations should be encouraged. Censorship barriers should not be imposed unless the success of our operations and the lives of our men would otherwise be endangered.

"The theater command gives assurances that it has no desire to censor for anything other than military security. Sincerely yours,

"FRANKLIN D. ROOSEVELT."

Proposals For Army-Navy Merger To Be Studied By 4-Man Committee; Earlier Efforts Failed

Instructions from the High Command for an army-navy committee to study proposals for merging the Army and the Navy were made public on June 8 by the House Committee on Post-War Military policy. This was made known in Associated Press advices from Washington on that day, which aded:

The instructions, which also call for consideration of a suggestion for a separate department of air, were contained in a report by Representative Woodrum (D.-Va.), Chairman on Committee Hearings.

The joint chiefs of staff told Mr. Woodrum they have set up a committee of two Navy and two Army officers, as a result of "widely divergent views" among the military on the subject of consolidation and because of demands in Congress for a streamlining of the military establishment.

These four officers are to make a detailed study and recommendations.

The Army-Navy group was directed specifically to study "the relative advantages, disadvantages, and practicability of the following basic systems of organization: Two departments—War and Navy; three departments—War, Navy, Air; one Department of War (or of Defense)."

It was noted by the United Press that the four-man Army-Navy committee which is studying the possible reorganization of national defense was established by the joint chiefs of Staff only after an earlier committee had failed to produce an agreement in a year of discussion. According to these advices Secretary of the Navy Forrestal sent the committee copies of a letter from Admiral William D. Leahy, Chief of Staff to President Roosevelt, saying that the joint Chiefs of Staff on May 9 approved a directive for the special investigation by a committee of two Army and two Navy officers under direction of the joint Deputy Chiefs of Staff. The United Press likewise said, "The directive disclosed that in June, 1943, another committee, called the Joint Strategic Survey Committee, was asked to submit recommendations to avoid duplication between the services and to discover the most practicable organization of executive agencies concerned primarily with defense."

"This committee, the directive stated, delegated its work to a special committee which twice submitted separate reports for Army and Navy members indicating inability to agree and expressing widely divergent views."

Reporting that post-war consolidation of the Army, Navy, and air services under a "Secretary of the Armed Forces" was proposed on May 27 by Senator Hill of Alabama, the Democratic whip in a bill he planned to introduce, the Associated Press (Washington) on May 28 also stated in part:

"Patterned on suggestions by Lieut. Gen. Joseph T. McNarney, Army Deputy Chief of Staff, in testimony before a House special committee, the measure also conforms with the ideas presented before the committee by Harold D. Smith, Director of the Budget.

"While Mr. Hill told a reporter that he was acting entirely on his own responsibility as a member of the Senate Military Affairs Committee, it was evident that the measure had the tacit approval of the War Department and other agencies, if not the Navy.

"Secretary of the Navy Forrestal opposed immediate consolidation of the military services in an appearance before the House group, adding that he was not prepared to say whether he thought a post-war merger was desirable.

"The Hill measure proposes a 'Department of Armed Forces.' The secretary would be chosen from civil life by the President and confirmed by the Senate. The President also would be authorized to appoint civilian under secretaries for the Army and Navy and for Air at $10,000 salaries. Each would have two assistants to receive $8,000 yearly.

"Proposed also is creation of a division labeled 'the United States chiefs of staff,' consisting of officers of general or flag rank to be headed by one officer to be chief of staff to the President."

The legislature plans of Senator Hill for the merger of the Army, Navy and Air forces brought a note of caution on May 29 from Representative Woodrum:

"Such precipitate action would be most unfortunate," Mr. Woodrum said, adding that his committee would report to the House soon on its hearings on proposals for unification. Rushing into a revolutionized reorganization of the Army and Navy at this critical hour," he said, "would revert the attention of the high command from the important business of winning the war quickly and might plunge us right into a violent controversy within our armed services."

Josephus Daniels, Secretary of the Navy in the World War I, told the House Post-War Policy Committee on May 17 that the Pearl Harbor disaster was convincing proof of the necessity of consolidating the Army and Navy, "That calamity," he said, "due to divided command in the Hawaiian area is convincing proof that perfect cohesion of the fighting forces must take the place of two arms working separately and without co-ordination. Whatever doubt had formerly existed as to the demand of one department of national defense was solved in the fact of the disastrous result of division and defeat."

Reporting that abandonment of attempts to merge the armed forces of this country, even on an experimental scale, until after the war was indicated by a report issued on June 15 by the Special House Committee on Post-War Military Policy, headed by Representative Woodrum, special advices to the New York "Times" on June 15 added:

"The report concludes the first phase of the group's study, but does not end its investigation.

"The committee does not believe that the time is opportune to consider detailed legislation which would undertake to write the pattern of any proposed consolidation, if, indeed, such consolidation is ultimately decided to be a wise course of action," the report states.

"The committee feels that many lessons are being learned in this war and that many more will be learned before the shooting stops."

May Cotton Consumption Report

The Census Bureau at Washington on June 14, issued its report showing cotton consumed in the United States, cotton on hand, and active cotton spindles for the month of May.

In the month of May, 1944, cotton consumed amounted to 831,889 bales of lint and 120,831 bales of linters as compared with 776,007 bales of lint and 114,659 bales of linters during April this year, and 902,301 bales of lint and 98,586 bales of linters in May last year.

In the 10 months ending with May 31, cotton consumption was 8,412,168 bales of lint and 1,106,706 bales of linters compared with 9,341,781 bales of lint and 1,096,952 bales of linters in the corresponding period a year ago.

There was 2,110,581 bales of lint and 399,321 bales of linters on hand in consuming establishments on May 31, 1944, which compares with 2,221,800 bales of lint and 440,497 bales of linters on Apr. 30, 1944, and with 2,320,197 bales of lint and 469,459 bales of linters on May 31, 1943.

On hand in public storage and at compresses on May 31, 1944, there were 9,582,675 bales of lint and 87,622 bales of linters, which compares with 10,276,595 bales of lint and 88,264 bales of linters on April 30 and 9,666,982 bales of lint and 75,924 bales of linters on May 31, 1943.

There were 22,387,784 cotton spindles active during May, 1944, which compares with 22,411,922 active cotton spindles during Apr., 1944, and with 22,777,078 active cotton spindles during May, 1943.

Senate And House Pass Bills Extending Price Control; House Drops Cotton Amendment

The legislation extending the Price Control and Wage Stabilization Act was sent to conference on June 14 after the House on that day passed its bill, differing in some respects from that adopted by the Senate on June 9. Associated Press dispatches from Washington on June 20 reported that the conferees had finished their work on the Price Control Bill. We give these advices in part as follows:

With the White House intervening to break a deadlock, Senate and House conferees reached a compromise late June 20 on the Bankhead amendment to adjust cotton textile ceilings in the price control extension bill.

The Administration agreed to a requirement that ceilings on "major" textile items be revised to reflect a parity price for raw cotton. Eliminated from the original Bankhead proposal was a requirement that the ceilings guarantee manufacturing costs plus a profit to mills.

In addition to requiring item-by-item pricing of cotton textiles to reflect parity, the revised amendment directs the President, acting through any department or agency of the Government, to "take all lawful action" to assure farmers of parity prices on all the basic agricultural commodities—cotton, corn, wheat, rice, tobacco, and peanuts. It does not specify the steps he may take.

The conference committee bill representing a merger of conflicting measures passed by Senate and House is scheduled to go to the Senate first and then the House for concurrence today.

Administrationists knocked out the House approved amendment by Rep. Dirksen (Rep., Ill.) to subject OPA regulations to review by the Federal District Courts, instead of the Emergency Court of Appeals as at present.

The new bill, however, sets up an OPA review board to hear protests against OPA orders and advise the Price Administrator, and permits protests to be filed against any present, past or future OPA regulation.

Other agreed changes in the existing stabilization law include:

Penalties for violations of price ceilings would be reduced from a minimum of $50 to $25, or the actual amount of overcharge, whichever is larger, for merchants who establish in court that the violations are not willful or the result of negligence.

The OPA itself would be authorized to initiate damage suits for overcharges, and to purchase evidence.

Rent ceilings would be adjustable upon a showing that they are substantially higher or lower than prevailing rates, or if landlords' costs or taxes were increased substantially.

The OPA's "highest price line" regulation would be abolished as to retailers, but retained as to wholesalers and manufacturers.

Present wage provision of the Stabilization Act would be left substantially unchanged, the conferees rejecting a Senate amendment that would have cancelled War Labor Board control over increases in wages up to $37.50 a week.

Regarding the action on the bill by the Senate on June 9, it was noted by the Associated Press that the Administration suffered a setback in its fight to continue price control machinery without major change with Senate approval by a vote of 39 to 35, of a proposal by Senator Bankhead (D., Ala.) to tie textile price ceilings to the price of cotton. The Washington Associated Press advices as given in the "Wall Street Journal" added:

President Roosevelt and Price Administrator Chester Bowles contend the proposal is inflationary but Senator Bankhead and his supporters deny it would increase costs. Mr. Bowles' estimate is that it would increase consumers' bills for textiles by 250 million to 350 million dollars a year.

The Bankhead amendment provides for an adjustment of textile ceiling prices to reflect a parity price for raw cotton to the farmer, plus milling costs of 90% of the textile industry and a "reasonable profit."

Senator Bankhead estimates it will raise cotton prices 1 cent a pound but in yesterday's debate Senator Ellender (D., La.) denounced it as "a textile industry amendment, and not one to help the cotton farmer."

After a prolonged debate over this amendment the Senate adopted in short order and without a record vote another Bankhead amendment to raise from 90 to 95% of parity the Government loan rate on cotton, corn, wheat, rice, tobacco and peanuts. (Parity is a price calculated by the Agriculture Department to give a farm commodity the same purchasing power, in terms of things farmers buy, that it had in some past base period, usually 1909-14.)

The Chamber also approved an amendment by Senator Wiley (R., Wis.) taking from the War Labor Board veto power over wage increases where employer and employes have reached a mutually satisfactory agreement and the resulting compensation does not exceed $37.50 a week or $1,950 a year.

Mr. Wiley estimated this would affect 20 million white-collar workers.

While the Senate bill provides for the extension of the Price and Wage Stabilization Act to Dec. 31, 1945, the House bill would extend the act only to June 30, 1945. In passing the bill June 14, the House struck out the Bankhead-Brown cotton amendment and wrote in a provision aimed at guaranteeing parity prices for all farm products by penalizing processors who fail to pay them.

From the Associated Press advices of June 14, we quote the following:

Nearly all the House Republicans joined with Administration forces against the textile pricing change, which was beaten 87 to 191. The Administration gave its approval to the parity-or-penalty amendment.

After that vote, the House reversed a previous stand and in a 204 to 178 roll call threw out the Administration-opposed amendment of Rep. Disney (D., Okla.) to increase the price of crude oil 35 cents a barrel.

The Administration's cotton and oil victories were somewhat offset by failure, in a 206 to 181 roll call, to throw out an amendment by Rep. Dirksen (R., Ill.) to open Federal District courts to tests of OPA rules.

With the House changes, Majority Leader McCormack (D., Mass.) said there was an "excellent chance" of perfecting in conference a bill which President Roosevelt would approve.

Without the legislation, price controls expire June 30.

Mr. McCormack's statement was based on an expectation that Senate and House conferees, correlating the separate measures, will throw out the Bankhead-Brown plan.

The parity amendment which the House approved overwhelmingly by voice vote provides that any processor of an agricultural commodity who fails to pay a parity price may charge no more than 90% of the OPA ceiling price for the finished article.

(Parity is the price which the Agriculture Department figures will give a farm commodity the same purchasing power, in terms of things farmers buy, that it had in a past base period, usually 1909-14.)

Rep. Pace (D., Ga.), author of the provision, said it would affect cotton, wheat, rye and several other commodities now selling below parity and that it would mean "hundreds of millions of dollars to the nation's farmers."

He declared it would accomplish the primary purpose of the Bankhead-Brown amendment — lifting the price of cotton about a cent a pound.

Mr. Pace also said his amendment "might well result in a reduction in the cost of living, because processors who fail to pay parity would have to charge 10% less than the ceilings."

The House rejected 98 to 70 a second Senate-approved amendment which would have removed the War Labor Board's jurisdiction over wage increases mutually agreed upon by employers and employees up to the $37.50 weekly level.

Democratic leaders still faced a fight in conference on a half-dozen price law changes in the separate Senate and House bills.

Those regarded as most objectionable to the Administration would facilitate court action against OPA regulations and price orders and cut down the liability of violators to fines and damages. Another change that the Administration strongly opposes would abolish the present "highest price line" limitation by which OPA has sought to control clothing prices by restricting retailers to lines they traditionally sold.

U. S. Not Bound By Monetary Conference, Morgenthau Says

No commitments binding on the United States could be made at the world monetary conference which meets meets at Breton Woods, N. H., on July 1, said Henry Morgenthau, Jr., Secretary of the Treasury, on June 19, it was disclosed in a special dispatch to the New York "Times" on the same day from Chicago, which also gave other remarks of Mr. Morgenthau about the conference as follows:

Whatever agreements are made for stabilizing currencies and establishing a world bank will be subject to Congressional approval as far as this country is concerned, he said.

"The results of the conference will be referred to President Roosevelt, who in turn will submit the matter to Congress," the Secretary said.

The personnel of the American delegation has been completed and will be announced in a day or so, Mr. Morgenthau disclosed.

FDR Announces Plans For International Security Council To Maintain Peace—Superstate Out

(Continued from first page)

policies in the past, for Mr. Roosevelt to say whether little nations will have a representative vote on a proposed international council or will be 'subordinated to the Big Four.'

"3. Criticism of the President by Senator Ball (R., Minn.), an exponent of all-out collaboration, for 'using some of the language the so-called isolationists have employed to oppose any effective world cooperation' in Mr. Roosevelt's declaration against 'a super-State with its own police forces and other paraphernalia of coercive power.'

"4. An assertion by Senator La Follette (Prog., Wis.), who holds strong nationalistic views, that the President's outline of security aims 'fails to mention the most important question, namely, whether this proposed organization should be established and the United States committed to it prior or after the time when the broad, general terms of the peace are known to the Congress and the country.'

"5. General approval of the objectives of the plan by most Democrats and cautious endorsement of its principles by Republicans."

The President's statement of June 15 follows:

Text of Statement

"The conference today with officials of the Department of State on the post-war security organization program is a continuation of conferences which have been held from time to time during the past 18 months. These conferences have enabled me to give personal attention to the development and progress of the post-war work the Department of State is doing.

"All plans and suggestions from groups, organizations and individual's have been carefully discussed and considered. I wish to emphasize the entirely nonpartisan nature of these consultations. All aspects of the post-war program have been debated in a cooperative spirit. This is a tribute to the political leaders who realize that the national interest demands a national program now. Such teamwork has met the overwhelming approval of the American people.

"The maintenance of peace and security must be the joint task of all peace-loving nations. We have, therefore, sought to develop plans for an international organization comprising all such nations. The purpose of the organization would be to maintain peace and security and to assist the creation, through international cooperation, of conditions of stability and well-being necessary for peaceful and friendly relations among nations.

"Accordingly it is our thought that the organization would be a fully representative body with broad responsibilities for promoting and facilitating international cooperation, through such agencies as may be found necessary to consider and deal with the problems of world relations.

"It is our further thought that the organization would provide for a Council, elected annually by the fully representative body of all nations, which would include the four major nations and a suitable number of other nations. The Council would concern itself with peaceful settlement of international disputes and with the prevention of threats to the peace or breaches of the peace.

"There would also be an international court of justice to deal primarily with justifiable disputes.

"We are not thinking of a super-State with its own police forces and other pharahernalia of coercive power. We are seeking effective agreement and arrangements through which the nations would maintain, according to their capacities, adequate forces to meet the needs of preventing war and of making impossible deliberate preparation for war, and to have such forces available for joint action when necessary.

"All this, of course, will become possible once our present enemies are defeated and effective arrangements are made to prevent them from making war again.

"Beyond that, the hope of a peaceful and advancing world will rest upon the willingness and ability of the peace-loving nations, large and small, bearing responsibility commensurate with their individual capacities, to work together for the maintenance of peace and security."

In the Washington accounts to the New York "Times" by Charles Hurd it was stated President Roosevelt's commendation of the "teamwork" shown by political leaders apparently was a reference to the groups of Senators and Representatives who have been kept fully informed of the developing stages of the plans.

"An hour before issuing his statement, Mr. Roosevelt conferred in his office with Secretary Hull, Edward R. Stettinius Jr., Under-Secretary of State; Dr. Leo Pasvlosky, State Department expert on economics and geography, and Dr. Isaiah Bowman, President of Johns Hopkins University and special consultant for the State Department, who went to London with Mr. Stettinius.

"Also present, in a private capacity and not for the State Department, was Norman H. Davis, Chairman of the American Red Cross, who headed various disarmament and peace missions sent abroad in both the Hoover and Roosevelt Administrations."

Myron C. Taylor Is Back In Rome

Myron C. Taylor, President Roosevelt's special representative to the Vatican, arrived in Rome on June 19. Mr. Taylor was in Italy in November, 1942, and was asked by the President to return to his old position after the liberation of Rome, it was disclosed in Associated Press advices from that city on the same day.

United Press dispatches said it was expected that Mr. Taylor would see Pope Pius XII and Luigi Cardinal Maglione, Papal Secretary of State, on that day.

NLRB Rules For Wagner Act Over State Law

A state law regulating unions cannot relieve an employer of collective bargaining obligations under the Federal Wagner Act, the National Labor Relations Board rules June 9, according to an Associated Press dispatch from Washington, which further stated:

The decision involved the recently enacted Florida statute which requires, among other things, the licensing of union agents. The company, Eppinger & Russell, of Jacksonville, had refused to bargain with the certified union because the union representatives had not been licensed as required by the state law.

Finding that the company's refusal was an unfair labor practice, the NLRB ordered the company to bargain, on request, with the Florida Citrus and Allied Workers Union, Congress of Industrial Organizations affiliate. Congress, the Board said, did not intend to subject Federal laws "to the varied and perhaps conflicting provisions of state enactments."

The decision upheld Frank Bloom, Chief Trial Examiner, whose report said: "If the company's contentions were accepted, the result would be, in effect, a nullification of the Board's certification by operation of the Florida statute. Such an interpretation would be contrary to the plain language of the (Wagner) Act and the many decisions of the Board and courts construing it."

From Washington Ahead Of The News

(Continued from first page)

of trafficking with men.

We have in mind that American boys are being killed in this vast manipulation but we suppose that is of no consequence when big manipulators are striving for such big things. For example, it was quite shocking for Washington to hear that Tito, the real rugged leader of Yugoslavia, had really been run out of that country and had escaped to Italy. It was a funny experience that our men with an "intimate knowledge of world affairs" had with him. Earlier, we had recognized Mikhailovitch whom the late Billy Mitchell's sister had served with and was sponsoring. The Leftist propagandists told us in no short order that he was not a "Liberal" and therefore we should not continue to furnish him supplies. Inas much as the "Liberal" people have sway in our Government, we switched over to the Stalin-approved Tito. Now it has leaked out that Hitler's forces swept down on Tito recently, captured three American officers and three American newspapermen who were talking with him and, Tito—he fled to Italy. It develops that Tito, regardless of how long the pretense will be kept up, had nothing at all. The Reds, the Leftists are a little shamefaced in Washington about this.

But bearing more importantly upon the point of Mr. Roosevelt's intimate knowledge of world affairs, is the question of Russia's attack upon Finland. Ever since Teheran we have heard that really, Stalin and Roosevelt got together on some things. Naturally, they couldn't tell us about them because we simple-minded people wouldn't understand. A lot of us asked what in the name of heavens they could possibly have gotten together on. One thing, we were assured, was that they had gotten together on the coordination of attacks: that is, when we landed in Europe on the Western front, Stalin was going to attack on the Eastern front.

The facts are irrefutable that when we landed in France, the Russians launched a great drive on Finland. You want to know what makes Procope such an enemy of mankind? Why, he pointed out, at cocktail parties, that the Germans were 700 miles away from where the Russians were attacking, that they were attacking just Finns. This was, indeed, an awful thing for him to be pointing out, when we were being given to understand that the Russians were opening up a "second" front. There is no wonder that he was recalled; there is no wonder that there should be a lot of indignation in Washington about his recall. He didn't have a press service; he just talked logically to his friends, which were innumerable.

We are sure we don't know what to say about the De Gaulle incident, except that American lives are being lost because of it. We bring it up only as it bears on Mr. Roosevelt's professed intimate knowledge of world affairs. The man was, rightly or wrongly, built up into a great symbol of a Free French. The story is that FD doesn't like him because he thought he was another "Joan 'de Arc" when, of course that is what FD thinks he is. The result is that both the French and Germans are shooting our boys over there. God help us, and we say that in all seriousness.

President Approves Extending Time For Trials Of Those Connected With Pearl Harbor Disaster

President Roosevelt approved on June 14 the joint resolution adopted by Congress extending for six months the period of time in which court-martial proceedings could be instituted against all persons connected with matters at Pearl Harbor preceding the catastrophe on Dec. 7, 1941, particularly relating generally to Admiral Kimmel and General Short. Congress completed action on the resolution on June 7, it was passed by the Senate on June 5 without a record vote and by the House on June 6 by a vote of 305 to 35; differences between the Senate and House legislation were compromised on June 7, it was noted in a Washington dispatch to the New York "Times," from which we also quote:

The measure as adopted directs merely that an investigation shall be made, instead of imposing on the Secretaries of War and Navy a mandate that court-martial proceedings shall be started, as the House had provided.

The House had voted only a three-month extension; the Senate a year. Conferees compromised on six months.

Republicans in the House fought the conference report. Adoption of the bill removed the probability that the court-martial would be held before the November election. An almost solid Republican bloc contended yesterday that the Democrats sought to prevent disclosures by Pearl Harbor testimony.

The War and Navy Departments have opposed holding Pearl Harbor trials in wartime, and the new legislation extends again the statute of limitations which already had been extended for six months past Dec. 7, 1943. The two officers have waived the statute.

* * *

Clarence E. Hancock, Republican of New York, one of the conferees, said that unless the compromise was ratified by the House, "the guilty persons will go free tomorrow."

The report was voted down on a voice vote, and by 100 to 89 when a division was called. But when a roll call was demanded, the result was 213 to 141 in favor of accepting the report.

The Senate adopted the report without objection.

With his approval of the resolution the President said:

I have today approved the joint resolution passed by the Congress extending for the further period of six months all statutory and other provisions sthat might prevent the trial and punishment of any persons involved in the Pearl Harbor catastrophe of Dec. 7, 1941, and directing the Secretary of War and the Secretary of the Navy to make an investigation of the facts surrounding the catastrophe and commence proceedings against such persons as the facts may justify.

The Secretaries of War and Navy have both suggested that I withhold my approval from this resolution, on the ground that the investigation and action therein directed might require them to withdraw from their present assignments numerous officers whose services in such assignments are needed for the successful prosecution of the war, and also on the ground that such proceedings would give publicity to matter which national security requires still to be withheld from the enemy.

If there were any doubt in my mind that the resolution might require such action by the Secretaries of War and Navy as would interfere with the successful conduct of the war I would have withheld my approval from the resolution. I am confident, however, that the Congress did not intend that the investigation of this matter or any proceedings should be conducted in a manner which would interrupt or interfere with the war effort. On the strength of this confidence I have approved the resolution.

Senate House Committee Ordered To Study Post-War Taxation

The Joint Senate-House Committee on Internal Revenue ordered on June 15, an immediate study of post-war taxation, said an Associated Press dispatch from Washington on that day, from which the following is also taken:

While holding out no promise of any lowering of taxes until victory, Chairman Doughton (D., N. C.), of the House Ways and Means Committee said "we want to be ready" for speedy adjustments.

The joint committee action recalled recommendations of the Baruch-Hancock report, which said:

"Prepare now for future action reducing taxes from war to peace-time levels, thereby providing necessary incentive for initiative and enterprise and stimulating employment."

The committee, comprised of Democratic and Republican Senators and House members, issued its statement shortly after Representative Reed (R., N. Y.), Chairman of a Special Republican Congressional Committee on Taxation, announced his group would hold public hearings on a post-war tax program "aimed at reducing the present tax burden by approximately one-half."

Representative Doughton declared today:

"It is utterly impractical to attempt the writing now of actual tax legislation to fit the post-war period. We must know the revenue needs, the level of the national income and the yield from this income by the taxes now in force.

"But we want to be as near ready as we can."

The joint committee voted to increase its membership by two Republicans, so as to "give the majority and the minority (parties) equal representation on the committee and thereby remove any question of partisanship in the conduct of this post-war tax study."

Bard Nominated To Be Navy Under-Secretary

Ralph A. Bard, now Assistant Secretary of the Navy, was nominated by President Roosevelt to be Under-Secretary of the Navy, the post left vacant when James V. Forrestal moved up to succeed the late Frank Knox, said an Associated Press dispatch from Washington, on June 19, which also had the following to say:

Mr. Bard's elevation leaves vacant the place of Assistant Secretary. Presidential Secretary Early said Mr. Roosevelt would await a recommendation from Secretary Forrestal before filling that position. Mr. Forrestal recommended Mr. Bard's promotion, Mr. Early said.

Mr. Bard, who is 59 years old, is a native of Cleveland. Much of his business career before entering the Navy Department on Feb. 15, 1941, was devoted to financing and developing smaller manufacturing concerns. He was organizer of the Chicago firm of Hitchcock, Bard & Co.

His Navy work has been concerned chiefly with labor relations and similar administrative activity.

Political Peace Offensive Plank Adopted By Socialist Party

At the Socialist party's national convention at Reading, Pa., on June 3, Norman Thomas, Socialist candidate for nomination for President succeeded in bringing the convention to his views regarding foreign policy and political collaboration on the home front, it is learned from a special dispatch to the New York "Times" from Reading, Pa., on June 3.

According to the account "the greatest victory for Mr. Thomas in the formulation of the platform was the adoption of his plank voicing a demand through the United Nations for 'an immediate political peace offensive based on the offer of an armistice to the peoples of the Axis nations.'"

The "Times" advices went on to say:

"While stating that the peace could not be won by 'any appeasement of Nazism or of any other aggressive imperialism,' this section condemns demands for unconditional surrender of the Axis powers. It specifically accuses the Roosevelt administration, in adopting that slogan, of 'prolonging this war and inviting the next by underwriting with the lives of our sons the restoration and maintenance of the British, Dutch and French empires in the Far East and the Balkanization of Europe between Moscow and London.'

"The plank stresses 'an uneasy and impermanent triple alliance' of the major powers 'with China as a poor relation,' or 'isolationist imperialism' along America First lines, as the only alternatives to a political peace offensive. In advocating the peace move it recommends that during the armistice Axis forces withdraw from conquered territories, disarm, form new governments and restore loot.

"The United Nations, for their part, would help set up a Federation of Europe, or several such Federations, to supplement a world federation, adopt a hands-off policy of internal affairs of liberated nations, settle boundary disputes, either by negotiation or plebiscite and guarantee self-government of lands occupied by Japan and to colonial territories under white rule.

"The United Nations are also called upon to follow the disarmament of the enemy by 'ending their own competitive armaments and military conscription and working out international guarantees of mutual security.' Fundamental to this peace plan is recognition of the rights of all peoples to self-government and self-determination of form of government."

Taft Opposes Commitment By U. S. On World Currency Plan

Opposition by Republicans to any commitments on a world currency stabilization program at the United Nations monetary conference was again evidenced on June 10 when Senator Robert A. Taft of Ohio declared that American involvement would be "like pouring money down a sewer." According to Associated Press advices from Washington June 10, from which the foregoing is taken:

Senator Taft, who heads the Republican Post-War Advisory Committee on Finance and the Republican Steering Committee of the Senate, told a reporter that he was opposed to the principle of setting up any fund "to which we contribute all of the money and somebody else dispenses it." He further declared.

"Question of currency stabilization is only incidental to the rehabilitation of foreign countries after the war. If you stabilize currency without taking all of the other steps necessary to get a country on an exporting basis, as the Treasury's plan apparently contemplates, it would be like pouring money down a sewer."

As we indicated in these columns, June 1, p. 2282, an international monetary conference, called by President Roosevelt, will be held at Bretton Woods, N. H. on July 1. The proposals to be discussed, it is understood, will be a $10,000,000,000 international bank to finance reconstruction and development; and an $8,000,000,000 stabilization fund to provide a gold base for the currency of each participating nation. In the New York "Times" of June 11 it was noted that the Treasury has emphasized that any agreement reached at the conference would be subject to Congressional approval. The "Times" further said:

"As announced by the Treasury, the plans, agreed to in principle by the monetary experts of 34 united and associated nations in April, call for the United States to contribute about $2,500,000,000 to the fund. Great Britain would put about $1,250,000,000 and Russia about $1,000,000,000, with the rest to be made up by other nations in accordance with a complicated formula.

"While this would be calculated to make all nations participants, Senator Taft said, the practical effect would be that the United States, by using dollars, would put in the only gilt edged security.

"The only thing anybody in the world wants now is dollars." he asserted. "In effect, our dollars would be backing all of the other countries, so that we would be putting up the money."

"Senator Taft, who has been mentioned as a possible choice for one of four Congressional places on the delegation to the meeting, suggested, instead, that the United States make separate agreements with each country.

"It appeared today that Senator Charles W. Tobey of New Hampshire would be the choice despite reported Administration attempts to by-pass him because of his criticisms of New Deal policies. He is the ranking minority member of the Banking and Currency Committee and the Republican Steering Committee is said to have endorsed him for the conference place."

Result Of Treasury Bill Offering

The Secretary of the Treasury announced on June 19 that the tenders for $1,200,000,000, or thereabouts, of 91-day Treasury bills to be dated June 22 and to mature Sept. 21, 1944, which were offered on June 16, were opened at the Federal Reserve Banks on June 19.

The details of this issue are as follows:

Total applied for, $2,173,813,000.

Total accepted, $1,211,580,000 (includes $55,091,000 entered on a fixed price basis at 99.905 and accepted in full).

Average price 99.905, equivalent rate of discount approximately 0.375% per annum.

Range of accepted competitive bids:

High, 99.909, equivalent rate of discount approximately 0.360% per annum.

Low, 99.905, equivalent rate of discount approximately 0.376% per annum.

(49% of the amount bid for at the low price was accepted.)

There was a maturity of a similar issue of bills on June 15 in the amount of $1,001,087,000.

Iceland Becomes Independent Nation

Iceland was proclaimed a free and independent republic, on June 17, by that country's parliament, and was welcomed into the family of nations by foreign dignitaries, said a United Press dispatch from Thingvellir, Iceland, on June 17, which added:

Louis G. Dreyfus, Jr., American Minister, acted as the representative of President Roosevelt at the ceremonies. In his address he recalled that Iceland "kindled the flame" of representative government in the tenth century—the flame that "has spread to all lands where free men assemble."

"It is indeed a great moment that I bring you this message from President Roosevelt," he said. "In that strange mutation of events shaping the heroic history of Iceland, it is again a terrible world war that has given impetus to the desire of the people of Iceland for independence.

"Today the United States and Iceland are associated to preserve that freedom so dear to both of us, which insures to every man the inalienable rights with which we are endowed by God. In this instance, the cooperation is the direct result of the responsibility assumed on July 7, 1941, by the Government of the United States at the request of the Icelandic Government."

Mr. Dreyfus referred to the agreement between the two governments before Pearl Harbor which resulted in American troops occupying the island to protect the North Atlantic seaway to Great Britain and Russia and to prevent Nazi occupation.

President Roosevelt sent a message on June 17 congratulating Sveinn Bjornsson upon his election as the first President of Iceland. Secretary of State Cordell Hull similarly congratulated Vilhjalmur Thor. Icelandic Minister of Foreign Affairs.

President Roosevelt's message follows:

"Please accept my heartiest congratulations on your election to the high office of President of the Republic of Iceland and my best wishes and those of the people of the United States for the continued prosperity of the Icelandic nation."

Secretary Hull's message is given below:

"On this historic occasion in Icelandic history please accept my sincere felicitations on the establishment of the Republic of Iceland."

Associated Press dispatches from Reykjavik, Iceland, on June 16, said that Iceland had formally abrogated the Danish-Icelandic Union Treaty on that day and added:

Executing the mandate of last month's referendum in which voters approved establishment of a republic, the Althing, Iceland's legislative body, formally abrogated the union treaty and unanimously passed a bill declaring the country a republic.

To Redeem Two Issues of Fed. Farm Loan Bonds

W. E. Rhea, Land Bank Commissioner, announces the call for redemption of two issues of outstanding consolidated Federal Farm Loan Bonds. Both of these issues are 4% bonds, one issue being dated July 1, 1934, due July 1, 1946, and redeemable on and after July 1, 1944, while the other issue is dated July 15, 1934, due July 15, 1964 and is redeemable on and after July 15, 1944. Mr. Rhea said that these bonds will be redeemed for cash without an exchange offering of securites. This information was made available by Chas. R. Dunn, Fiscal Agent for the Federal Land Banks.

Hope Expressed By Roosevelt Of Cooperation Of Unions In Solution Of New Post-War Problems

Confidence was expressed by President Roosevelt that the American people can look forward to the continued cooperation of organized workers in the solution of new problems which will face us with the stamping out of "every vestige of Fascism and Nazism," in a letter to President David Dubinsky of the International Ladies Garment Workers Union, read at the organization's 25th convention, at Boston on May 31. The letter, according to the Associated Press, read as follows:

"I am glad indeed to send along greetings to you, your fellow officers and delegates to the 25th convention of the International Ladies Garment Workers Union.

"Your organization has been a great stabilizing and constructive force in the ladies' garment industry. It has pointed the way to effective cooperation between labor and management and has been a pioneer in its enlightened policy of making public each year an itemized account of its income and its disbursements. You have every reason to be proud of its accomplishments under your leadership.

"I need not stress the tremendous contribution of American organized labor to the preservation of our democracy in these days of global war. I know that the American people can continue to count on the membership of your union—so many of whom are immigrants or the children of immigrants—in this critical period of our nation's life.

"It is a fervent hope of all free people that before very long every vestige of Fascism and Nazism will be stamped out from this world. New problems will then face us.

"I am confident that the American people can look forward to the continued cooperation of the organized workers of this country in the solution of those new problems and in attaining the economic and social progress which is so essential to our own happiness and to continued world peace."

Business Failures Again Up

May business failures were higher in number but lower in the amount of liabilities involved than in April. Business insolvencies in May, according to Dun & Bradstreet, are totaled 148 and involved $2,697,000 liabilities, as compared with 131 involving $3,524,000 in April and 281 involving $2,550,000 in May a year ago.

The increase in the number of failures in May over April took place in all the divisions of trade into which the report is divided with the exception of the manufacturing group which had fewer failures in May than in April. When the amount of liabilities is considered it is found that all the districts had larger amounts of liabilities involved in May than in April except the manufacturing and construction groups.

Manufacturing failures last month numbered 34, involving $1,293,000 liabilities, compared with 37 in April with $2,676,000 liabilities. Wholesale failures increased from 9 to 11 and the liabilities from $135,000 in April to $150,000 in May. In the retail trade section insolvencies were up from 56 to 63 and liabilities from $338,000 in April to $903,000 in May. Construction failures numbered 26 with $249,000 liabilities in May, which compares with 20 with $318,000 liabilities in April. Commercial service failures numbered 14 in May as against 9 in April and liabilities $102,000 against $57,000 in April.

When the country is divided into Federal Reserve Districts, it is found that the Philadelphia, Cleveland, Richmond and San Francisco Reserve Districts had more failures in May than in April, the Minneapolis and Dallas Districts repeat the performance of last month and do not report any failures, the Chicago and Kansas City Reserve Districts report the same number, while all of the remaining Districts show fewer failures in May than in April. When the amount of liabilities involved is considered is is found that outside of the districts that did not report any failures, the Cleveland, Atlanta, Chicago, St. Louis and Kansas City Reserve Districts had fewer liabilities involved in May than in April and the remaining districts had more.

Treasury Dept. Receives Funds For Payment on Finland Debt

The Treasury on June 15 received the sum of $148,455.06 from the Government of Finland, representing the semi-annual payment of interest in the amount of $134,750 under the Funding Agreement of May 1, 1923, and a payment of $13,695.06 as the seventh semi-annual annuity due under the postponement agreement of May 1, 1941. These payments, said the Department's announcement, represent the entire amount due from the Government of Finland on June 15, 1944 under these agreements.

May War Costs Higher

United States war expenditures during the month of May amounted to $7,918,000,000, an increase of 5.7% or $425,000,000 over expenditures in April, the War Production Board reported on June 14. The Board added: The $7,948,000,000 expended in March remains the peak for monthly war expenditures so far.

WPB gave the following data on war expenditures:

The average daily war expenditures in May, $293,300,000, decreased 2.1% from the daily rate in April of $299,700,000. The daily rate is based on the 27 days in May and the 25 days in April upon which checks were cleared by the Treasury.

From July 1, 1940, through May 31, 1944, the United States Government had expended for war purposes $192,000,000,000.

These figures include checks cleared by the Treasury and payable from war appropriations, and net outlays of the Reconstruction Finance Corporation and its subsidiaries.

Monthly expenditures and the average daily rate from January, 1941, through May, 1944, are shown in the following table:

UNITED STATES WAR EXPENDITURES MONTHLY AND DAILY RATE
January, 1941—May, 1944
(In Millions of Dollars)

	Monthly Expenditures	Number of Days Checks were Cleared	Daily Rate
1941—			
1st quarter monthly average	$684	25	$27.4
2nd quarter monthly average	897	26	34.5
3rd quarter monthly average	1,253	26	48.2
4th quarter monthly average	1,797	25	71.9
1942 12-month total	52,406	310	169.1
1943 12-month total	85,135	312	272.9
1944—			
January	7,416	26	285.2
February	7,808	25	312.3
March	7,948	27	294.4
April	7,493	25	299.7
May	7,918	27	293.3

Steel Output At Higher Rate—Lull Follows Heavy Buying—Backlogs Continue To Increase

"Highlighting developments industrial-wise this week was the WPB plan for reconversion to the production of essential civilian durable goods," the "Iron Age" states in its issue of today (June 22), further adding:

"The plan involves a list that details civilian products according to their relative urgency. The list is in three parts as regards the urgency of demand and the items are shown for three levels of supply.

"The first level is the program which WPB is anxious to get into production as quickly as possible, since it represents the minimum rationing and replacement requirements. The second level figure represents the hoped-for production where rationing efforts slip. Level No. 3 is the optimum output demanded, taking into consideration prewar demand and the current estimated replacement needs. Procedures for manufacturers in working under the reconversion blueprint have been set up, but it is definitely understood that no production that will possibly conflict with war needs will be permitted.

"While the critical situation eases on some products, such as aluminum and magnesium which were released for non-military production recently, other industrial phases and items, instead of easing with regards to supply, are tightening. Foundries are in this category. Production of castings has definitely fallen to the critical stage and Washington is giving the problem its undivided attention. Regional offices of Washington agencies have been instructed to do everything in their power to increase the output of foundries.

"This rush for castings brings up the question of wages. Washington instructions are expected to result in higher wages, even to the extent of breaking up the Little Steel formula; widespread and quickly attained facilities grants and as much special consideration from Selective Service Boards as possible.

"So far invasion activity has had little effect on steel requirements for the reason that it has been at peak levels for months. In the past week there has been no definite change in the volume of orders which, with most companies, are running ahead of actual production. Backlogs continue to increase and the carryover situation has not been bettered to any extent. Practically all steel companies have heavy carryovers on plates and sheets, and within the near future carryovers are expected to mount on such items as large-sized bars and semi-finished steel.

"WPB this week pointed to the fact that ferrous scrap inventories were approaching the 4,000,000-ton low of a few years ago when steel production was curtailed for lack of that material. However, the current trends in the market indicate that there is no fear of any recurrence of curtailed steel operations. Steel mills are carefully watching their inventories in order to keep them at optimum but not excessive levels, and on many scrap items dealers and brokers are having difficulty in disposal."

The American Iron and Steel Institute on June 19 announced that telegraphic reports which it had received indicated that the operating rate of steel companies having 94% of the steel capacity of the industry will be 97.3% of capacity for the week beginning June 19, compared with 97.1% one week ago, 98.4% one month ago and 97.6% one year ago. The operating rate for the week beginning June 19 is equivalent to 1,742,900 tons of steel ingots and castings, compared to 1,739,300 tons one week ago, 1,762,600 tons one month ago and 1,690,100 tons one year ago.

"Steel" of Cleveland, in its summary of the iron and steel markets, on June 19 stated in part as follows:

"Uncertainty as to war needs and the fact that steel producers have such heavy order books that deliveries now run close to the end of the year and in some products into next year, has brought a decline in buying.

"Actual tonnage going on mill books has not declined markedly, due to further heavy shell and artillery buying, but the number of orders is off appreciably. In some instances the drop in number of orders has been 40% to 50% in the past fortnight. Although, tonnage is light some deferment of shipments has appeared, indicating a disposition to narrow inventories.

"Initial success in Europe has resulted in caution in buying although the trend started before the invasion, following heavy buying early in the year, which carried delivery promises far ahead. These factors naturally called for a period of readjustment, which would have been more pronounced except for continued heavy shell buying. Recent cancellations have been light but more are expected as the war picture develops.

"Many steelmakers believe the aircraft program has passed its peak, a belief supported in a measure by recent cancellations, some of which have been relatively moderate, however.

"In marked contrast with the situation a year ago pig iron and scrap supply is no problem and both are supplying melters with all needs. Production and shipments are in close balance and no stocks are being accumulated by makers or melters."

Persecution Of Minority Groups By Nazis Deplored By President; To Harbor Refugees

Indicating anew the fact that the United States "is appalled by the systematic persecution of helpless minority groups by the Nazis," President Roosevelt in a message to Congress on June 12 announced that "arrangements have been made to bring immediately to this country approximately 1,000 refugees who have fled from their homelands to Southern Italy." The President further stated that these refugees "will be placed on their arrival in a vacated Army camp on the Atlantic Coast, where they will remain under appropriate security restriction." "Upon the termination of the war," said the President, "they will be sent back to their homelands." The President's message to Congress, as given the Associated Press advices from Washington, follows:

"To the Congress of the United States:

"Congress has repeatedly manifested its deep concern with the pitiful plight of the persecuted minorities in Europe whose lives are each day offered in sacrifice on the altar of Nazi tyranny.

"This nation is appalled by the systematic persecution of helpless minority groups by the Nazis. To us the unprovoked murder of innocent people simply because of race, religion or political creed is the blackest of all possible crimes. Since the Nazis began this campaign, many of our citizens in all walks of life and of all political and religious persuasions have expressed our feeling of repulsion and our anger. It is a matter with respect to which there is and can be no division of opinion among us.

"As the hour of the final defeat of the Hitlerite forces draws closer, the fury of their insane desire to wipe out the Jewish race in Europe continues undiminished. This is but one example: many Christian groups also are being murdered. Knowing that they have lost the war, the Nazis are determined to complete their program of mass extermination. This program is but one manifestation of Hitler's aim to salvage from military defeat victory for Nazi principles which this war must destroy unless we shall have fought in vain.

"This Government has not only made clear its abhorrence of this inhuman and barbarous activity of the Nazis but, in co-operation with other governments, has endeavored to alleviate the condition of the persecuted peoples. In January of this year I determined that this Government should intensify its efforts to combat the Nazi terror. Accordingly, I established the War Refugee Board, composed of the Secretaries of State, Treasury and War. This board was charged with the responsibility of taking all action consistent with the successful prosecution of the war to rescue the victims of enemy oppression in imminent danger of death and to afford such victims all other possible relief and assistance. It was intrusted with the solemn duty of translating this Government's humanitarian policy into prompt action, thus manifesting once again, in a concrete way, that our kind of world, and not Hitler's, will prevail. Its purpose is directly and closely related to our whole war effort.

"Since its establishment the War Refugee Board, acting through a full-time adminstrative staff, has made a direct and forceful attack on the problem. Operating quietly, as is appropriate, the board through its representatives in various parts of the world, has actually succeeded in saving the lives of innocent people. Not only have refugees been evacuated from enemy territory, but many measures have been taken to protect the lives of those who have not been able to escape.

"Above all, the efforts of the board have brought new hope to the oppressed peoples of Europe. This statement is not idle speculation. From various sources I have received word that thousands of people, wearied by their years of resistance to Hitler and by their sufferings to the point of giving up the struggle, have been given the will and desire to continue by the concrete manifestation of this Government's desire to do all possible to aid and rescue the oppressed.

"To the Hitlerites, their subordinates and functionaries and satellites, to the German people and to all other peoples under the Nazi yoke, we have made clear our determination to punish all participants in these acts of savagery. In the name of humanity we have called upon them to spare the lives of these innocent people.

"Notwithstanding this Government's unremitting efforts, which are continuing, the numbers actually rescued from the jaws of death have been small compared with the numbers still facing extinction in German territory. This is due principally to the fact that our enemies, despite all our appeals and our willingness to find havens of refuge for the oppressed peoples, persist in their fiendish extermination campaign and actively prevent the intended victims from escaping to safety.

"In the face of this attitude of our enemies, we must not fail to take full advantage of any opportunity, however limited, for the rescue of Hitler's victims. We are confronted with a most urgent situation.

"Therefore, I wish to report to you today concerning a step which I have just taken in an effort to save additional lives and which I am certain will meet with your approval. You will, I am sure, appreciate that this measure is not only consistent with the successful prosecution of the war, but that it was essential to take action without delay.

"Even before the Allied landing in Italy, there had been a substantial movement of persecuted peoples of various races and nationalities into this country. This movement was undoubtedly prompted by the fact that, despite all attempts by the Fascists to stir up intolerance, the warm-hearted Italian people could not forsake their centuries-old tradition of tolerance and humanitarianism. The Allied landings swelled this stream of fleeing and hunted peoples seeking sanctuary behind the guns of the United Nations. However, in view of the military situation in Italy, the number of refugees who can be accommodated there is relatively limited. The Allied military forces, in view of their primary responsibility, have not been able, generally speaking to encourage the escape of refugees from enemy territory. This unfortunate situation has prevented the escape of the largest possible number of refugees. Furthermore, as the number of refugees living in southern Italy increases, their care constitutes an additional and substantial burden for the military authorities.

"Recently the facilities for the care of refugees who have already escaped to that area and are arriving daily, particualrly from the Balkans countries, can be promptly removed to havens of refuge elsewhere, the escape of refugees to that area from German-occupied territory will be seriously impeded. It was apparent that prompt action was necessary to meet this situation. Many of the refugees in southern Italy have been and are being moved to temporary refuges in the territory of other United and friendly nations. However, in view of the number of refugees still in southern Italy, the problem could not be solved unless temporary havens of refuge were found for some of them in still other areas. In view of this most urgent situation, it seemed indispensable that the United States, in keeping with our heritage and our ideals of liberty and justice, take immediate steps to share the responsibility for meeting the problem.

"Accordingly arrangements have been made to bring immediately to this country approximately 1,000 refugees who have fled from their homelands to southern Italy. Upon the termination of the war, they will be sent back to their homelands. These refugees are predominantly women and children. They will be placed on their arrival in a vacated Army camp on the Atlantic coast, where they will remain under appropriate security restrictions.

The Army will take the necessary security precautions and the camp will be administered by the War Relocation Authority. The War Refugee Board is charged with overall responsibility for this project."

Liberation Of Rome Memorable Event, Churchill Declares

Before the House of Commons on June 6, Prime Minister Winston Churchill addressed two statements to the members bearing on the capture of Rome by the Allies on June 4 and D-Day operations on June 6, stating in his initial remarks that "the House should, I think, take formal notice of the liberation of Rome by Allied armies under the command of General Alexander, with General Clark, of the United States services, and General Oliver Leese in command of the 5th and 8th Armies respectively." He went on to say: "This is a memorable and glorious event which rewards the intense fights of the last five months in Italy". . . .

"This entry and the liberation of Rome means we shall have the power to defend it from hostile air attacks and deliver it from the famine with which it was threatened.

"However, General Alexander's prime object has never been the liberation of Rome, great as are the moral, political and psychological advantages of this episode. Allied forces with the Americans in the van are driving ahead northward in relentless pursuit of the enemy. The destruction of the enemy's armies has been throughout the aim, and they are now being engaged at the same time along the whole length of the line as they attempt to escape to the north.

"We must await further developments in the Italian theater before it is possible to estimate the magnitude or the quality of the gains, great and timely though they are.

"I have also to announce to the House that during the night and early hours of this morning, the first of a series of landings in force upon the European continent has taken place.

"In this case, the liberating assault fell upon the coast of France.

"The battle which has now begun will grow constantly in scale and in intensity for many weeks to come and I shall not attempt to speculate upon its course, but this I may say: Complete unity prevails throughout the Allied armies. There is a brotherhood in arms between us and our friends of the United States. There is complete confidence in the supreme commander, General Eisenhower, and also in the commander of the expeditionary force, General Montgomery."

In his further address on June 6 the Prime Minister reminded the House that it is "a most serious time we are entering upon, and we enter upon it with our great allies all in good heart and in good friendship."

On June 8 the House of Commons was warned by Mr. Churchill to guard against over optimism in the battle of Europe and against "the idea that these things are going to be settled in a rush. Although great dangers lie behind," he declared, "enormous exertions lie before us."

N. Y. Court Of Appeals Upholds Wage Penalty

The New York State Court of Appeals ruled on June 15 that a building service worker employed by a landlord whose tenants are engage in production of goods for interstate commerce is entitled to penalty damages if overtime is not paid at the end of each work period, according to an Associated Press dispatch from Albany, on June 15, which continued as follows:

No written opinion was given by the court in upholding unanimously an Appellate Division ruling. Associate Judge Harlan W. Rippey did not take part in the decision.

The ruling may affect outstanding claims through New York City for several million dollars by building service employees for overtime wages and penalties under the Fair Labor Standards Act of 1938.

The action was begun in New York City Municipal Court by William J. O'Neil, employed as a night watchman from Oct. 24, 1938, to Aug. 30, 1940, in a building operated by the Brooklyn Savings Bank.

Fairchild Retail Prices June 1 Unchanged For The Fourth Consecutive Month

Since March 1, 1944 the Fairchild Retail Price Index has remained at 113.4. This is the fourth consecutive month that it has been at this level, said the announcement on June 15, which further stated that "the current index is 0.4% above the index for the corresponding month last year. As compared with May, 1933, the index shows a 63.4% increase. The comparison of the present index with that of other base periods also indicates gains which while not as marked as that of the increase above the 1933 period are nevertheless quite substantial. There is a 29% gain over the low of 1936, 17.4% gain over the high of 1937, and a 27.6% rise over the low of 1939-1940."

The advices from Fairchild's also state: "In previous months there were changes in the individual commodity indexes that were not sufficient to warrant a change in the composite index. This is the first time, however, that there was no change recorded by any major or minor group of items in the index. Furs had been advancing constantly since April, 1943. In the past 13 months furs increased 7.1%. Although this gain is negligible by comparison with the increases of other periods (117.2% above May, 1933, 49.4% above the low of 1936, 22.3% above the high of 1937, and 61.6% above the low of the pre-war period) it nevertheless shows the largest gain recorded by any one item since the General Maximum Price Regulation was put into effect in March, 1942.

"While the index remains unchanged, invisible gains have undoubtedly been experienced as a result of the deterioration in quality. It is difficult to indicate exactly the extent of deterioration or hidden advances. Producers and distributors are becoming much more concerned over the fact that consumers are becoming more selective in their purchases. While it is too soon for any considerable change in quality due to consumer demand to be perceptible, there are indications in various specific industries of more concern. This has been strengthened by the invasion.

"A continuation of restricted fluctuations in retail prices is expected, according to A. W. Zelomek, economist under whose supervision this index is compiled."

THE FAIRCHILD PUBLICATIONS RETAIL PRICE INDEX
JAN. 3, 1931=100
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	May 1, 1933	June 1, 1943	Mar. 1, 1944	Apr. 1, 1944	May 1, 1944	June 1, 1944
Composite Index	69.4	113.0	113.4	113.4	113.4	113.4
Piece Goods	65.1	112.2	112.2	112.2	112.2	112.2
Men's Apparel	70.7	105.3	105.3	105.3	105.3	105.3
Women's Apparel	71.8	112.6	113.7	113.7	113.7	113.7
Infants' Wear	76.4	108.1	108.2	108.2	108.2	108.2
Home Furnishings	70.2	115.5	115.6	115.6	115.6	115.6
Piece Goods						
Silks	57.4	84.7	84.7	84.7	84.7	84.7
Woolens	69.2	108.0	108.1	108.1	108.1	108.1
Cotton Wash Goods	68.6	143.8	143.8	143.8	143.8	143.8
Domestics						
Sheets	65.0	126.8	126.8	126.8	126.8	126.8
Blankets & Comfortables	72.9	135.0	134.9	134.9	134.9	134.9
Women's Apparel						
Hosiery	59.2	91.1	90.4	90.4	90.0	90.0
Aprons & House Dresses	75.5	140.5	140.5	140.5	140.5	140.5
Corsets & Brassieres	83.6	111.2	111.2	111.2	111.2	111.2
Furs	66.8	137.9	144.5	145.0	145.1	145.1
Underwear	69.2	102.7	102.9	102.9	102.9	102.9
Shoes	76.5	92.4	92.4	92.4	92.4	92.4
Men's Apparel						
Hosiery	64.9	108.1	108.1	108.1	108.1	108.1
Underwear	69.6	114.8	114.8	114.8	114.8	114.8
Shirts & Neckwear	74.3	99.1	99.3	99.3	99.3	99.3
Hats & Caps	69.7	94.3	94.3	94.3	94.3	94.3
Clothing incl. Overalls	70.1	106.0	105.9	105.9	105.9	105.9
Shoes	76.3	109.6	109.6	109.6	109.6	109.6
Infant's Wear						
Socks	74.0	114.6	114.9	114.9	114.9	114.9
Underwear	74.3	103.7	103.7	103.7	103.7	103.7
Shoes	80.9	106.0	106.0	106.0	106.0	106.0
Furniture	69.4	129.2	129.4	129.4	129.4	129.4
Floor Coverings	79.9	146.9	146.9	146.9	146.9	146.9
Radios	50.6	66.8	66.8	66.8	66.8	66.8
Luggage	60.1	94.7	94.9	94.9	94.9	94.9
Electrical Household Appliances	72.5	93.5	93.5	93.5	93.5	93.5
China	81.5	110.6	110.6	110.6	110.6	110.6

Note—Composite index is a weighted aggregate. Major group indexes are arithmetic averages of subgroups.

Electric Output For Week Ended June 17, 1944 Shows 4.6% Gain Over Same Week Last Year

The Edison Electric Institute, in its current weekly report, estimated that the production of electricity by the electric light and power industry of the United States for the week ended June 17, 1944. was approximately 4,287,251,000 kwh., compared with 4,098.401,000 kwh. in the corresponding week a year ago, an increase of 4.6%. The output for the week ended June 10, 1944, was 5.5% in excess of the similar period of 1943.

PERCENTAGE INCREASE OVER PREVIOUS YEAR

Major Geographical Divisions—	Week Ended— June 17	June 10	June 3	May 27
New England	2.7	2.0	*1.2	2.7
Middle Atlantic	*1.2	*1.9	*0.2	5.1
Central Industrial	4.8	5.7	4.4	7.2
West Central	3.9	6.3	5.7	8.2
Southern States	6.3	8.7	10.4	9.4
Rocky Mountain	*8.5	*3.6	*11.2	*8.2
Pacific Coast	16.5	15.7	16.0	14.5
Total United States	4.6	5.5	5.6	7.6

*Decrease under similar week in 1943.

DATA FOR RECENT WEEKS (Thousands of Kilowatt-Hours)

Week Ended—	1944	1943	% Change over 1943	1942	1932	1929
March 4	4,464,686	3,946,630	+13.1	3,392,121	1,538,452	1,702,570
March 11	4,425,630	3,944,679	+12.2	3,357,444	1,537,747	1,687,229
March 18	4,400,246	3.946,836	+11.5	3,357,032	1,514,553	1,683,262
March 25	4,409,159	3,928,170	+12.2	3,345,502	1,480,208	1,679,589
April 1	4,408.703	3.889,858	+13.3	3,348,608	1,465,076	1,633,291
April 8	4.361,094	3,882,467	+12.3	3,320,858	1,480,738	1,696,543
April 15	4,307,498	3,916,794	+10.0	3,307,700	1,469,810	1,709,331
April 22	4,344,188	3,925,175	+10.7	3,273,190	1,454,505	1,699,822
April 29	4,336,247	3,866,721	+12.1	3,304,602	1,429,032	1,688,434
May 6	4,233,756	3,903,723	+ 8.5	3,365,208	1,436,928	1,698,942
May 13	4,238,375	3,969,161	+ 6.8	3,356,921	1,435,731	1,704,426
May 20	4,245,678	3,992,250	+ 6.3	3,379,985	1,425,151	1,705,460
May 27	4,291,750	3,990,040	+ 7.6	3,322,651	1,381,452	1,615,085
June 3	4,144,490	3,925,893	+ 5.6	3,372,374	1,435,471	1,689,925
June 10	4,264,600	4,040,376	+ 5.5	3,463,528	1,441,532	1,699,227
June 17	4,287,251	4,098,401	+ 4.6	3,433,711	1,440,541	1,702,501
June 24		4,120,038		3,457,024	1,456,961	1,723,428

Moody's Bond Prices And Bond Yield Averages

Moody's computed bond prices and bond yield averages are given in the following table:

MOODY'S BOND PRICES†
(Based on Average Yields)

1944— Daily Averages	U. S. Govt. Bonds	Avge. Corporate*	Corporate by Ratings* Aaa	Aa	A	Baa	Corporate by Groups* R. R.	P. U.	Indus.
Jun 20	120.05	112.19	118.40	116.80	112.19	102.63	106.04	113.89	117.40
19	120.10	112.19	118,60	116.80	112.00	102.63	105.86	113.89	117.40
17	120.01	112.19	118.40	116.61	112.00	102.63	105.86	113.70	117.20
16	120.01	112.19	118.40	116.61	112.00	102.63	105.86	113.70	117.20
15	119.95	112.19	118.40	116.80	112.00	102.63	106.04	113.89	117.20
14	119.87	112.19	118.60	116.80	112.00	102.63	105.86	113.89	117.20
13	119.87	112.00	118.40	116.61	111.81	102.46	105.86	113.70	117.00
12	119.88	112.00	118.40	116.61	111.81	102.46	105.86	113.70	117.20
10	119.88	112.19	118.60	116.61	111.81	102.46	105.69	113.70	117.20
9	119.88	112.19	118.60	116.61	111.81	102.46	105.69	113.89	117.20
8	119.88	112.00	118.60	116.61	111.81	102.30	105.69	113.89	117.00
7	119.90	112.19	118.40	116.80	111.81	102.46	105.86	113.89	117.20
6	119.90	112.19	118.40	116.80	111.81	102.46	105.86	113.70	117.20
5	119.92	112.19	118.40	116.80	111.81	102.63	106.04	113.70	117.00
3	120.02	112.19	118.40	116.61	111.81	102.63	105.86	113.70	117.00
2	119.99	112.19	118.60	116.80	111.81	102.46	105.86	113.89	117.00
1	119.75	112.19	118.40	116.80	111.81	102.46	105.86	113.70	117.00
May 26	119.66	112.19	118.40	116.80	111.81	102.30	105.86	113.89	117.00
19	119.59	112.00	118.60	116.80	111.81	102.13	105.86	113.89	116.80
12	119.48	112.00	118.60	116.80	111.81	101.64	105.52	113.89	116.80
5	119.48	111.81	118.40	116.61	111.62	101.47	105.52	113.70	116.41
Apr. 28	119.35	111.81	118.40	116.61	111.62	101.47	105.34	113.70	116.41
21	119.75	111.62	118.40	116.41	111.62	101.31	105.17	113.70	116.41
14	119.86	111.62	118.20	116.61	111.44	101.14	105.17	113.70	116.41
6	119.81	111.44	118.20	116.61	111.44	100.98	104.83	113.89	116.22
Mar. 31	119.68	111.44	118.20	116.41	111.25	100.81	104.66	113.70	116.22
24	119.86	111.44	118.20	116.61	111.44	100.81	104.66	113.89	116.41
17	120.14	111.44	118.20	116.61	111.25	100.65	104.66	113.70	116.41
10	120.26	111.44	118.20	116.41	111.25	100.81	104.48	113.70	116.41
3	120.44	111.25	118.20	116.61	111.25	100.49	104.31	113.70	116.41
Feb. 25	120.21	111.25	118.20	116.41	111.07	100.32	104.31	113.50	116.22
Jan. 28	119.47	111.07	118.20	116.22	111.07	100.16	104.14	113.31	116.41
High 1944	120.44	112.19	118.80	116.80	112.19	102.63	106.04	113.89	117.40
Low 1944	119.34	110.70	118.20	116.22	110.88	99.04	103.30	113.12	116.02
High 1943	120.87	111.44	119.41	117.00	111.81	99.36	103.47	114.27	117.40
Low 1943	116.85	107.44	116.80	113.89	108.88	92.35	97.16	111.81	114.46
1 Year Ago June 19, 1943	120.15	110.52	118.60	116.02	111.07	97.94	102.30	113.50	116.41
2 Years Ago June 20, 1942	118.34	106.39	116.22	112.93	107.44	91.19	95.47	110.88	113.89

MOODY'S BOND YIELD AVERAGES
(Based on Individual Closing Prices)

1944— Daily Averages	U. S. Govt. Bonds	Avge. Corporate*	Corporate by Ratings* Aaa	Aa	A	Baa	Corporate by Groups* R. R.	P. U.	Indus.
Jun 20	1.79	3.05	2.73	2.81	3.05	3.59	3.39	2.96	2.78
19	1.79	3.05	2.72	2.81	3.06	3.59	3.40	2.96	2.78
17	1.80	3.05	2.73	2.82	3.06	3.59	3.40	2.97	2.79
16	1.80	3.05	2.73	2.82	3.06	3.59	3.40	2.97	2.79
15	1.80	3.05	2.73	2.81	3.06	3.59	3.39	2.96	2.79
14	1.82	3.05	2.72	2.81	3.06	3.59	3.40	2.96	2.73
13	1.82	3.06	2.73	2.82	3.07	3.60	3.40	2.97	2.80
12	1.82	3.06	2.73	2.82	3.07	3.60	3.40	2.97	2.79
10	1.82	3.05	2.72	2.82	3.07	3.60	3.41	2.97	2.79
9	1.82	3.05	2.72	2.82	3.07	3.60	3.41	2.96	2.79
8	1.82	3.06	2.72	2.82	3.07	3.61	3.41	2.96	2.80
7	1.82	3.05	2.73	2.81	3.07	3.60	3.40	2.96	2.79
6	1.82	3.05	2.73	2.81	3.07	3.60	3.40	2.97	2.79
5	1.82	3.05	2.73	2.81	3.07	3.59	3.39	2.97	2.80
3	1.81	3.05	2.73	2.82	3.07	3.59	3.40	2.97	2.80
2	1.81	3.05	2.72	2.81	3.07	3.60	3.40	2.96	2.80
1	1.83	3.05	2.73	2.81	3.07	3.60	3.40	2.97	2.80
May 26	1.84	3.05	2.73	2.81	3.07	3.61	3.40	2.96	2.80
19	1.84	3.06	2.72	2.81	3.07	3.62	3.40	2.96	2.81
12	1.85	3.06	2.72	2.81	3.07	3.65	3.42	2.96	2.81
5	1.85	3.07	2.73	2.82	3.08	3.66	3.42	2.97	2.83
Apr. 28	1.86	3.07	2.73	2.82	3.08	3.66	3.43	2.97	2.83
21	1.83	3.08	2.73	2.83	3.08	3.67	3.44	2.97	2.83
14	1.82	3.08	2.74	2.82	3.09	3.68	3.44	2.97	2.83
6	1.83	3.09	2.74	2.82	3.09	3.69	3.46	2.96	2.84
Mar. 31	1.83	3.09	2.74	2.83	3.10	3.70	3.47	2.97	2.84
24	1.82	3.09	2.74	2.82	3.09	3.70	3.47	2.96	2.83
17	1.80	3.09	2.74	2.82	3.10	3.71	3.47	2.97	2.83
10	1.81	3.09	2.74	2.83	3.10	3.70	3.48	2.97	2.83
3	1.80	3.10	2.74	2.82	3.10	3.72	3.49	2.97	2.83
Feb. 25	1.81	3.10	2.74	2.83	3.11	3.73	3.49	2.98	2.84
Jan. 28	1.87	3.11	2.74	2.84	3.11	3.74	3.50	2.99	2.83
High 1944	1.87	3.13	2.74	2.84	3.12	3.81	3.55	3.00	2.85
Low 1944	1.79	3.05	2.71	2.81	3.05	3.59	3.39	2.96	2.78
High 1943	2.08	3.31	2.81	2.96	3.23	4.25	3.93	3.07	2.93
Low 1943	1.79	3.09	2.68	2.80	3.07	3.79	3.54	2.94	2.78
1 Year Ago June 19, 1943	1.84	3.14	2.72	2.85	3.11	3.88	3.61	2.98	2.82
2 Years Ago June 20, 1942	1.94	3.37	2.84	3.01	3.31	4.33	4.04	3.12	2.96

*These prices are computed from average yields on the basis of one "typical" bond (3¾% coupon, maturing in 25 years) and do not purport to show either the average level or the average movement of actual price quotations. They merely serve to illustrate in a more comprehensive way the relative levels and the relative movement of yield averages, the latter being the true picture of the bond market.

†The latest complete list of bonds used in computing these indexes was published in the issue of Jan. 14, 1943, page 202.

King George Asks People To Offer Continuous Prayer In Crisis Of Liberation

In line with the action of President Roosevelt, (referred to in these columns last week) King George VI on June 6, called upon his subjects to offer up "earnest, continuous and widespread prayer" throughout "the present crisis of the liberation of Europe." The President's invasion prayer was given on page 2387 of our June 8 issue.

The King's message, broadcast throughout the British Empire as recorded by the National Broadcasting Company and reported by The Associated Press said in part:

"Four years ago our nation and empire stood alone against an overwhelming enemy with our backs to the wall, tested as never before in our history, and we survived that test. The spirit of the people, resolute, dedicated, burned like a bright flame, lit surely from those unseen fires which nothing can quench.

"Once more the supreme test has to be faced. This time the challenge is not to fight to survive but to fight to win the final victory for the good cause. Once again what is demanded from us all is something more than courage; more than endurance. We need a revival of spirit, a new unconquerable resolve. After nearly five years of toil and suffering we must renew that crusading impulse on which we entered the war and met its darkest hour.

* * *

"That we may be worthily matched with the new summons of destiny, I desire solemnly to call my people to prayer and dedication.

* * *

"I hope throughout the present crisis of the liberation of Europe, there may be offered up earnest, continuous and widespread prayer. We who remain in this land can most effectively enter into the suffering of subjugated Europe by prayer; thereby we can fortify the determination of our sailors, soldiers and airmen who go forth to set the captives free.

* * *

"At this historic moment surely not one of us is too busy, too young or too old, to play a part in a nation-wide, perchance world-wide, vigil of prayer as the great crusade sets forth.

"If from every place of worship, from home and factory, from men and women of all ages and many races and occupations, our intercessions rise, then, please God, both now and in the future not remote, the predictions of an ancient song may be fulfilled:

"The Lord will give strength unto his people, the Lord will give his people the blessing of peace." (Psalm 29, Verse 11.)

Financial Librarians Hear Bank Economist

Dr. Karl R. Bopp, Director of Research and Statistics, Federal Reserve Bank of Philadelphia, addressed on June 20, a joint meeting of the Financial and Advertising Groups of the Special Libraries Association at Philadelphia in annual conference on the subject, "What a User Expects of a Special Library." Other speakers on the same program were Dr. Howard T. Hovde, Consultant, Bureau of Foreign and Domestic Commerce, Washington, on the subject, "Will the Boom in Research Continue After the War?" and Mr. Everett R. Smith, Director of Research, McFadden Publications, Inc., on the subject, "Market Changes and Some Trends to Watch."

At the breakfast Group meeting on June 20, Miss Joan Holland, Librarian, Federal Reserve Bank of Chicago, addressed the Group on the subject, "Research Library—Cadaver or Catalyst."

The same morning the Financial and Advertising Groups held a symposium on Special Library Problems. The speakers were:

a) Library Publicity

Speaker: Miss Katharine D. Frankenstein, Manager, Library Research Department, Batten, Barton, Durstine & Obsorn, Inc., New York.

b) Personnel In-Service Training

Speaker: Miss Ruth Miller, Librarian, Central Hanover Bank & Trust Company, New York.

c) Government Publications and Statistics

Speaker: Miss Corrie Cloyes, Economic Editor, Publications Unit, Bureau of Foreign and Domestic Commerce, Washington, D. C.

d) Flexibility of the Baker Classification of Business Literature

Speaker: Miss Margaret Stirling, Head, Cataloguing Department, Baker Library, Harvard Graduate School of Business Administration, Boston, Massachusetts.

Moody's Daily Commodity Index

Tuesday, June 13, 1944	249.4
Wednesday, June 14	249.1
Thursday, June 15	250.0
Friday, June 16	250.0
Saturday, June 17	250.0
Monday, June 19	250.0
Tuesday, June 20	250.0
Two weeks ago, June 6	251.0
Month ago, May 20	250.1
Year ago, June 19	243.7
1943 High, April 1	249.3
Low, Jan. 2	240.2
1944 High, March 17	251.5
Low, Jan. 5	247.0

SEC Finds Industry Prepared To Reconvert To Peace Production Independent Of Outside Funds

Advices to the effect that "American industry as a whole is financially prepared to reconvert to peacetime production and also to undertake considerable expansion without recourse to outside sources of funds," are conveyed in an analysis of the current assets and liabilities of corporations in the United States made by the Securities and Exchange Commission. The Commission reported on June 9 that "at the end of 1943, American corporations were in as favorable a financial position as they had ever been in their history. Their net working capital,[1] which was at an unprecedented level, was in extremely liquid form with cash accounting for a very substantial proportion of the total." The Commission also said:

"It is estimated that the increase in working capital during the four-year period from the end of 1939 to the end of 1943 amounted to $17,000,000,000, a rise of nearly 70%. Of this increase $9,500,000,000 took place in the two years since our entry into the war. In addition, during these four years, almost entirely since the end of 1941, corporations paid off close to $1,000,000,000 of long-term debt and accumulated a post-war credit of over $1,000,000,000 in refundable taxes. Further substantial refunds may accrue to corporations in the reconversion period as a result of the carry-back provisions of the present income and excess profits tax laws.[2]

The advices from the Commission further state:

"The net working capital of United States corporations from 1939 to 1943 is given in the following table:

(Billions of dollars)

1939	1940	1941	1942	1943
24.6	27.5	32.1	36.5	41.6

"The increase in working capital during this period is attributable for the most part to retained profits after taxes and dividend disbursements. It also reflects to some extent depreciation and depletion charges[3] in excess of expenditures on plant and equipment.

"The most striking changes in current assets and liabilities from the end of 1939 to the end of 1943 were the increase in cash from $10,900,000,000 to $22,600,000,000, the increase in United States Government securities from $2,200,000,000 to $16,000,000,000, and the increase in Federal income tax liabilities from $1,200,000,000 to $15,900,000,000. The major part of these increases occurred after the end of 1941. The increase in U. S. Government securities, almost entirely short-term, approximately offset the increase in Federal income tax liabilities. Most of the increase in cash, on the other hand, represents a net growth in liquidity.

"Up to the end of 1941, the increase in working capital took the form of inventories, reflecting a rise in the level of business. At the end of 1941, net working capital of $32,100,000,000 was comprised mostly of inventories amounting to $25,600,000,000, leaving other net liquid assets of only $6,500,000,000. Since our entry into the war, however, these net liquid assets exclusive of inventories have increased to $14,700,000,000 while inventories have remained relatively constant. There has of course been a drastic change in the composition of inventories since 1941 with munitions inventories, which were comparatively small in that year, amounting to close to $10,000,000,000 at the end of 1943. About $7,000,000,000 of such munitions inventories are not readily convertible to civilian production and, therefore, in view of war contract termination provisions, might be considered more in the nature of receivables from the Government than as inventories.[4]

"Although practically all industry groups shared in the rise of working capital, there was considerable variation from group to group. As would be expected, manufacturing companies showed the largest increase in working capital over this period, amounting to $10,700,000,000. Railroads accounted for another $1,200,000,000, utilities for $300,000,000, and trade for $3,500,000,000. Percentagewise, railroads showed by far the largest increase over the period, amounting to 300%. The other major industrial groups had increases in working capital of 50% to 70%. Generally the increases during the two years after our entry into the war were greater than in the two preceding years. Virtually all corporations for which data were available had increases in working capital over this period and generally will be able to finance internally a high level of post-war production. There are, of course, individual companies which are not in as favorable a position.

"The attached table shows the working capital of all corporations in the United States on which the above discussion is based. Similar data will be released quarterly in the future. Tables showing more detailed data on current assets and liabilities for various industrial and size groups of corporations registered with the Securities and Exchange Commission may be obtained on request.

*CURRENT ASSETS AND LIABILITIES OF U. S. CORPORATIONS 1939-1943

(Billions of dollars)

	1939	1940	1941	1942	1943
Current Assets—					
Cash on hand and in banks	10.9	13.1	13.9	17.5	22.6
U. S. Government securities	2.2	1.9	3.9	10.2	16.0
Receivables from U. S. Government	--	.1	.5	2.8	3.6
Other notes and accounts receivable	22.1	23.9	27.5	24.3	23.7
Inventories	18.0	19.8	25.6	27.3	26.9
†Other current assets	1.4	1.5	1.4	1.3	1.3
Total current assets	54.6	60.3	72.8	83.4	94.1
Current Liabilities:—					
Advances and prepayments, U. S. Government	--	.3	.4	1.4	1.6
Other notes and accounts payable	21.9	22.6	25.6	24.7	25.5
Federal income tax liabilities	1.2	2.5	7.1	12.1	15.9
‡Other current liabilities	6.9	7.4	7.6	8.7	9.5
Total current liabilities	30.0	32.8	40.7	46.9	52.5
Net working capital	24.6	27.5	32.1	36.5	41.6

*All U. S. corporations excluding banks and insurance companies. Data for 1939-1941 are based primarily on statistics of income. Data for 1942-1943 are estimates.

†Includes marketable securities other than U. S. Government.

‡For 1942 and 1943 includes provisions for renegotiation not reflected in Federal income tax liabilities. In 1943 also includes taxes withheld from employees under the Current Tax Payment Act of 1943.

The above estimates are based on data compiled from many different sources, including data on corporations registered with the Commission. Because of the nature of the figures, these estimates are subject to revision.

1—Current assets less all current liabilities including provisions for renegotiation.

2—Though much less important, the unamortized portion of emergency facilities may also provide a basis for refunds.

3—Taking into account adjustments in connection with property retirements and capital outlay charged to current expense.

4—$7.0 billion represents the book value of such inventories; the actual termination value would probably be somewhat higher.

Living Costs In Large Cities Up 0.6% From March 15-April 15, Labor Dept. Reports

"Prices of Living essentials went up 0.6% from March to April," Secretary of Labor Frances Perkins reported on May 22. She stated that "Half of this rise was due to the higher excise taxes effective April 1. Higher prices for food and furniture were the other principal reasons for the advance. Living costs in April were 23.5% above January, 1941 and 26.3% higher than in August, 1939." Miss Perkins also added:

"Retail food prices advanced 0.4% during the month. Food prices are still 4.3% lower than a year ago and 5.9% below the peak last May.

"The rise in food costs during the month was due chiefly to higher prices for fresh produce. The greatest increase was reported for onions—averaging about 21%, and in two cities more than 80%. New crop onions in retail stores on April 15 which had been shipped from farms before April 1 were not subject to price ceilings. Ceilings were effective for new crop onions shipped after April 1. Prices of apples, oranges, cabbage, lettuce and sweet potatoes rose seasonally, ranging from 3% for sweet potatoes to 10% for cabbage. Green beans were up contra-seasonally by more than 8% after declining sharply earlier in the year. Carrots dropped 16%.

"Small declines in meat prices occurred during the month, with the gradual improvement in supply which later resulted in the relaxation of meat rationing. Supplies of fresh fish were larger and prices dropped over 5%. Egg prices continued to decline seasonally.

"After an increase of 1.6% in the first quarter of the year, clothing costs rose only one-tenth of 1% in April, principally as a result of the disappearance of lower price lines. The largest increases were for women's inexpensive rayon dresses, percale house dresses, and girdles, men's and women's felt hats, and business shirts, with scattered increases for shoes and men's work clothing.

"Clothing costs averaged 7% higher than in April, 1943. During the past year, for example, prices of women's percale house dresses have risen on the average 23%, men's woven shorts 18%, women's cotton nightgowns 16%, and women's spring coats 14%. In particular stores prices have advanced by much more than this, with unusual increases of 100% or more for some kinds of clothing.

"House furnishings costs advanced 3.1% during the month, as upholstered living room suites with steel springs became available in a number of cities. Prices for suites of lower-medium quality were 29% higher than at the end of 1942 and early in 1943 when spring-filled furniture of this type was last available. Price increases have been allowed by OPA because of higher production costs. In some cases, more expensive coverings were used.

"Costs of fuel, electricity and ice on the average remained unchanged over the month. Sharp reductions in electricity rates occurred in two cities—10.4% in Savannah and 5.3% in Seattle. Effects on retail coal prices of higher mine prices allowed by OPA were felt in some cities for the first time in April.

"Miscellaneous goods and services rose 1.3%, chiefly because of the higher excise taxes on motion picture admissions, railroad transportation and cosmetics, and higher postal rates. Only a few other changes were reported."

COST OF LIVING IN LARGE CITIES

Indexes, 1935-39=100*

Date—	All items	Food	Clothing	Rent	Fuel electricity and ice	House-furnishings	Miscellaneous
1939: Aug. 15	98.6	93.5	100.3	104.3	97.5	100.6	100.4
1941: Jan. 15	100.8	97.8	100.7	105.0	100.8	100.1	101.9
1942: May 15	116.0	121.6	126.2	109.9	104.9	122.2	110.9
Sep. 15	117.8	126.6	125.8	108.0	106.2	123.6	111.4
1943: Apr. 15	124.1	140.6	127.9	108.0	107.5	124.8	114.9
1944: Mar. 15	123.8	134.1	136.7	108.1	109.9	129.0	119.1
Apr. 15	124.5	134.6	136.9	†	109.9	133.0	120.7

PERCENT OF CHANGE

Date—	All items	Food	Clothing	‡Rent	Fuel, electr. and ice	House furnishings	Miscellaneous
Mar. 15, 1944 to Apr. 15, 1944	+ 0.6	+ 0.4	+ 0.1	†	--	+ 3.1	+ 1.3
Apr. 15, 1943 to Apr. 15, 1944	+ 0.3	— 4.3	+ 7.0	+ 0.1	+ 2.2	+ 6.6	+ 5.0
Sep. 15, 1942 to Apr. 15, 1944	+ 5.7	+ 6.3	+ 8.8	+ 0.1	+ 3.5	+ 7.6	+ 8.3
May 15, 1942 to Apr. 15, 1944	+ 7.3	+ 10.7	+ 8.5	— 1.6	+ 4.8	+ 8.8	+ 8.8
Jan. 15, 1941 to April 15, 1944	+ 23.5	+ 37.6	+ 35.9	+ 3.0	+ 9.0	+ 32.9	+ 18.4
Aug. 15, 1939 to Apr. 15, 1944	+ 26.3	+ 44.0	+ 36.5	+ 3.6	+ 12.7	+ 32.2	+ 20.2

*These indexes are based on changes in the cost of goods purchased by wage earners and lower-salaried workers in large cities.

†Rents surveyed at quarterly dates: March 15, June 15, Sept. 15, Dec. 15.

‡Changes through March 15, 1944.

Promote Officials Of Atlanta Reserve Bank

W. S. McLarin, Jr., President of the Federal Reserve Bank of Atlanta, has announced the promotion of four officials of the bank, it is learned from the Atlanta "Constitution" of June 3, from which we also quote:

V. K. Bowman, former Assistant Vice-President, has been made Vice-President. With the Bank since 1918, he has devoted himself chiefly to the credit work of the institution. He is a graduate of the American Institute of Banking and the Graduate School of Banking at Rutgers University.

Promoted from Counsel to General Counsel, Pollard Turman, a graduate of Emory University, was engaged in the practice of law in the city of Atlanta before coming to the bank.

Henry Frazer, formerly General Assistant, has been made Assistant Manager of the Birmingham branch. He came with the bank in 1923 and was for many years manager of the Havana agency.

L. Y. Chapman, with the Atlanta Bank since 1935, has been made Assistant Cashier of the New Orleans branch. He was formerly General Assistant. He was educated at Tulane University and is a graduate of the American Institute of Banking.

Pennsylvania Reaffirms Policy Against Branch Banking

At a hearing held on June 6, in Harrisburg, Pa., before the Secretary of Banking and the full membership of the Pennsylvania Banking Board, the petitions of the Philadelphia Saving Fund Society and the Western Saving Fund Society, to open branch offices in Upper Darby Township, were denied. An announcement in the matter also said:

The Banking Board found that the Upper Darby area was supplied with adequate banking facilities, and that no need existed for additional branches of Philadelphia banks.

A great deal of interest in the case had been aroused in banking circles, throughout the State of Pennsylvania because of the historic position against branch banking. The Pennsylvania Banker's Association at a convention in Pittsburgh, on May 25, by resolution reaffirmed its stand against branch banking. Similar action had previously been taken by most of the group and county associations throughout the state, and by scores of individual bank boards.

This decision has eloquently and decisively reaffirmed Pennsylvania's opposition to branch banking.

Fifth War Loan Bond Campaign—War Finance Director Announces State Quotas

War Finance Chairmen in the 48 states, the District of Columbia, Alaska, Hawaii and Puerto Rico have reported final plans for raising the national quota of $16,000,000,000 during the Fifth War Loan, which opened Monday, June 12, Ted R. Gamble, National Director of War Finance announced on June 8. State quotas, in millions of dollars, are:

Alabama, 102; Arizona, 32; Arkansas, 56; California—northern, 453; southern, 512; Colorado, 84; Connecticut, 442; Delaware, 54; District of Columbia, 107; Florida, 137; Georgia, 144; Idaho, 28; Illinois, 1,107; Indiana, 281; Iowa, 202; Kansas, 124; Kentucky, 118; Louisiana, 126; Maine, 64; Maryland, 228; Massachusetts, 828; Michigan, 526; Minnesota, 246; Mississippi, 56; Missouri, 315; Montana, 41; Nebraska, 106; Nevada, 15; New Hampshire, 39; New Jersey, 635; New Mexico, 21; New York, 4,801; North Carolina, 148; North Dakota, 39; Ohio, 797; Oklahoma, 108; Oregon, 125; Pennsylvania, 1,082; Rhode Island, 90; South Carolina, 58; South Dakota, 37; Tennessee, 133; Texas, 464; Utah, 46; Vermont, 30; Virginia, 157; Washington, 228; West Virginia, 81; Wisconsin, 298, and Wyoming, 17.

Alaska's quota is $3,000,000; Hawaii's, $22,000,000, and Puerto Rico's, $7,000,000. The coming War Loan Drive is the first in which Puerto Rico has had a quota assigned to it.

It was further announced:

In order to insure adequate time for local issuing agents to execute the millions of series E bond orders placed with them, and for series E sales proceeds to reach the Treasury, Fifth War Loan reports will count sales of series E, F and G. Bonds and series C Savings Notes from June 1 through July 31. Subscription books for other War Loan issues will be open from June 12 through July 8.

"Every bond sale counts towards somebody's quota," Mr. Gamble said, "and the Treasury would like to have all E Bond buyers know just how their purchases are credited against State and County quotas.

"Sales to the millions who buy bonds on the payroll savings plan generally are credited according to the employees' residence or place of work. Series E Bonds bought at banks, building and loan associations, post offices, retail stores and theaters are credited to the county and State where purchased. Many radio stations prepare detailed geographic tabulations of sales resulting from special bond broadcasts.

"Direct sales by the Treasury and Federal Reserve Banks are credited to registration addresses on the bonds. Purchases by men and women in the armed forces on the War and Navy pay reservation plan are spread throughout the country according to registration addresses on the bonds."

Market Value Of Bonds On N. Y. Stock Exchange

As of the close of business May 31, there were 1,065 bond issues, aggregating $93,271,754,989 par value listed on the New York Stock Exchange with a total market value of $93,849,254,814. This compares with 1,074 bond issues, aggregating $95,013,084,742 par value; total market value $95,305,318,075; average price 100.31, on April 29.

In the following table listed bonds are classified by governmental and industrial groups with the aggregate market value and average price for each:

Group—	May 31, 1944 Market Value $	May 31, 1944 Average Price $	April 29, 1944 Market Value $	April 29, 1944 Average Price $
U. S. Government (incl. N. Y. State, Cities, etc.)	76,925,561,425	103.31	78,511,722,966	103.22
U. S. companies:				
Amusement	7,425,000	99.00	------	---
Automobile	7,799,500	102.63	7,809,000	102.75
Building	13,295,750	101.49	13,313,500	101.63
Business and office equipment	15,975,000	106.50	15,937,500	106.25
Chemical	44,366,625	103.42	47,205,750	102.84
Electrical equipment	20,275,000	101.38	20,300,000	101.50
Financial	48,421,816	102.93	48,604,865	103.05
Food	256,702,579	106.54	264,936,923	106.23
Land and realty	10,951,140	92.58	12,048,270	91.56
Machinery and metals	35,261,577	102.32	36,221,831	102.23
Mining (excluding iron)	92,403,666	70.56	91,965,493	70.40
Paper and publishing	33,674,486	103.68	33,592,142	103.43
Petroleum	630,818,625	104.13	628,983,958	103.82
Railroad	8,163,831,134	84.10	7,942,239,451	81.77
Retail merchandising	13,143,874	96.13	13,035,983	94.48
Rubber	69,359,683	104.33	70,701,421	104.19
Shipping services	19,132,873	89.91	18,431,775	86.61
Steel, iron and coke	408,179,512	103.02	483,095,709	102.58
Textiles	36,618,750	104.63	36,312,500	103.75
Tobacco	172,753,535	105.42	172,938,845	105.47
Utilities:				
Gas and electric (operating)	3,172,989,517	108.76	3,214,915,688	108.62
Gas and electric (holding)	60,899,841	108.91	60,093,250	107.36
Communications	1,175,375,890	112.46	1,168,707,388	111.27
Miscellaneous utilities	101,098,158	69.97	102.047,996	70.63
U. S. companies oper. abroad	151,331,718	85.25	145,440,067	81.93
Miscellaneous businesses	31,350,550	106.17	31,149,780	105.49
Total U. S. companies	14,793,435,799	92.55	14,680,029,085	91.07
Foreign government	1,373,532,064	68.50	1,362,668,879	67.86
Foreign companies	756,725,526	91.81	750,897,145	91.09
All listed bonds	93,849,254,814	100.62	95,305,318,075	100.31

The following table, compiled by us, gives a two-year comparison of the total market value and the total average price of bonds listed on the Exchange:

1942—	Market Value $	Average Price $	1943—	Market Value $	Average Price $
May 29	59,257,509,674	95.64	June 30	80,704,321,646	99.64
June 30	59,112,072,945	95.50	July 31	80,352,221,151	99.35
July 31	61,277,620,583	95.76	Aug. 31	80,109,269,964	99.23
Aug. 31	62,720,371,752	96.08	Sept. 30	80,149,558,292	99.37
Sept. 30	62,765,776,218	96.18	Oct. 30	90,501,768,934	99.45
Oct. 31	64,843,877,284	96.48	Nov. 30	90,076,888,558	99.02
Nov. 30	64,543,971,299	96.11	Dec. 31	90,274,071,634	99.38
Dec. 31	70,583,644,622	96.70	1944—		
1943—			Jan. 31	90,544,387,232	99.78
Jan. 30	71,038,674,932	97.47	Feb. 29	96,837,573,171	100.21
Feb. 27	71,346,452,852	97.79	Mar. 31	95,713,288,544	100.32
Mar. 31	71,575,183,604	98.24	Apr. 29	95,305,318,075	100.31
Apr. 30	71,857,596,488	98.69	May 31	93,849,254,814	100.62
May 29	81,048,543,830	99.47			

Latest Summary Of Copper Statistics

The Copper Institute on June 14 released the following statistics pertaining to production, deliveries and stocks of duty-free copper:

SUMMARY OF COPPER STATISTICS REPORTED BY MEMBERS OF THE COPPER INSTITUTE
(In Tons of 2,000 Pounds)

U. S. Duty Free Copper	Production *Crude	Production Refined	Deliveries to Customers †Domestic	Deliveries to Customers Export	‡Refined Stocks End of Period	Stock Increase (+) or Decreases (—) Blister	Stock Increase (+) or Decreases (—) Refined
Year 1939	836,074	818,289	814,407	134,152	159,485	+17,785	—130,270
Year 1940	992,293	1,033,710	1,001,886	48,537	142,772	—41,417	— 16,713
Year 1941	1,016,996	1,065,667	1,545,541	307	75,564	—48,671	— 67,208
Year 1942	1,152,344	1,135,708	1,635,236	----	65,309	+16,636	— 10,255
Year 1943	1,194,699	1,206,871	1,643,677	----	52,121	—12,172	— 13,188
5 Mos. 1944	479,283	472,887	703,985	----	37,074	+ 6,396	— 15,047
July, 1943	100,456	105,589	129,631	----	55,097	— 5,133	— 610
Aug., 1943	97,413	100,077	147,135	----	53,726	— 2,664	— 1,371
Sep., 1943	98,867	98,333	141,111	----	45,844	+ 534	— 7,882
Oct., 1943	102,589	97,274	129,212	----	47,148	+ 5,315	+ 1,304
Nov., 1943	99,340	102,136	138,881	----	52,027	— 2,796	+ 4,879
Dec., 1943	98,568	104,644	115,850	----	52,121	— 6,076	+ 94
Jan., 1944	95,424	92,781	101,779	----	45,800	+ 2,643	— 6,321
Feb., 1944	95,713	87,128	124,532	----	36,489	+ 8,585	— 9,311
Mar., 1944	101,289	99,118	156,083	----	37,259	+ 2,171	+ 770
Apr., 1944	92,779	95,280	155,877	----	38,382	— 2,501	+ 1,123
May, 1944	94,078	98,580	165,714	----	37,074	— 4,502	— 1,308

*Mine or smelter production or shipments, and custom intake including scrap.

†Beginning March, 1941, includes deliveries of duty paid foreign copper for domestic consumption.

‡At refineries, on consignment and in exchange warehouses, but not including consumers' stocks at their plants or warehouses.

Wholesale Prices Up 0.1% In Week Ended June 10, Labor Dept. Reports

Advancing prices for agricultural commodities, particularly fruits, vegetables, and livestock, accounted for a rise of 0.1% in the Bureau of Labor Statistics' index of commodity prices in primary markets during the week ended June 10. "The increase brought the all-commodity index to the level of a year ago, 104.0% of the 1926 average. In the past four weeks the index has risen 0.4%." The Department's announcement added:

"**Farm products and foods.** Prices for farm products in organized markets rose 0.9% largely as a result of higher quotations for cows, steers, and sheep, for cotton and wheat, and for eggs, apples, onions, and sweet potatoes. Lower prices were reported for rye, heavy weight hogs, live poultry and white potatoes in most markets. At 125.0% of the 1926 average, the index for farm products is slightly more than 2% higher than at the same time last month, although it is 2% lower than in mid-June of last year.

"Led by an increase of 1.9% in prices for fruits and vegetables, average prices for foods at the primary market level rose 0.2%. Quotations were lower for fresh milk in the Chicago market, for bread at Cincinnati, for flour, and for fresh pork and dressed poultry. Since the middle of May prices for foods have advanced 0.8%. However, they are 5% lower than for the corresponding week of June, 1943.

"**Industrial commodities.** Except for an increase of over 3% in prices for rosin, which brought the index for building materials up 0.1%, and lower prices for anthracite in some areas, industrial commodity markets remained steady during the week."

The Department's announcement also contained the following notation:

Note: During the period of rapid changes caused by price controls, materials allocation, and rationing, the Bureau of Labor Statistics will attempt promptly to report changing prices. Indexes marked (*), however, must be considered as preliminary and subject to such adjustment and revision as required by later and more complete reports.

The following tables show (1) index numbers for the principal groups of commodities for the past three weeks, for May 13, 1944 and June 12, 1943, and the percentage changes from a week ago, a month ago, and a year ago and (2) percentage changes in subgroup indexes from June 3 to June 10, 1944.

WHOLESALE PRICES FOR WEEK ENDED JUNE 10, 1944
(1926=100)

Commodity Groups—	6-10 1944	6-3 1944	5-27 1944	5-13 1944	6-12 1943	Percentage change to June 10, 1944 from— 6-3 1944	5-13 1944	6-12 1943
All commodities	*104.0	*103.9	*103.9	*103.6	104.0	+0.1	+0.4	0
Farm products	*125.0	*123.9	*123.7	*122.4	127.6	+0.9	+2.1	— 2.0
Foods	105.4	105.2	104.9	104.6	110.9	+0.2	+0.8	— 5.0
Hides and leather products	117.7	117.7	117.7	117.6	118.4	0	+0.1	— 0.6
Textile products	97.3	97.3	97.3	97.3	96.9	0	0	+ 0.4
Fuel and lighting materials	83.7	83.7	83.9	83.7	81.4	0	0	+ 2.8
Metals and metal products	*103.8	*103.8	*103.8	*103.8	103.9	0	0	— 0.1
Building materials	115.8	115.7	115.6	115.0	110.4	+0.1	+0.7	+ 4.9
Chemicals and allied products	105.3	105.3	105.4	105.4	100.2	0	—0.1	+ 5.1
Housefurnishing goods	106.0	106.0	106.0	106.0	104.3	0	0	+ 1.6
Miscellaneous commodities	93.3	93.3	93.3	93.3	91.7	0	0	+ 1.7
Raw materials	*114.4	*113.8	*113.6	*112.8	114.8	+0.5	+1.4	— 0.3
Semimanufactured articles	93.7	93.6	93.6	93.5	92.9	+0.1	+0.2	+ 0.9
Manufactured products	*101.0	*101.1	*101.1	*101.0	100.7	—0.1	0	+ 0.3
All commodities other than farm products	*99.5	*99.6	*99.6	*99.5	98.9	—0.1	0	+ 0.6
All commodities other than farm products and foods	*98.7	*98.7	*98.7	*98.6	96.9	0	+0.1	+ 1.9

*Preliminary.

PERCENTAGE CHANGES IN SUBGROUP INDEXES FROM JUNE 3, 1944 TO JUNE 10, 1944

Increases

Fruits and vegetables	1.9	Grains	0.2
Livestock and poultry	1.0	Paint and paint materials	0.2
Other farm products	1.0	Other foods	0.1

Decreases

Anthracite	0.8	Cereal products	0.3
Meats	0.4	Dairy products	0.1

Non-Ferrous Metals—Copper Tonage Delivered In May A Record—Quicksilver Price Drops

"E. & M. J. Metal and Mineral Markets," in its issue of June 15, stated: "More copper was delivered to domestic consumers during May than for any other month on record. The total, 165,714 tons, is expected to mark the peak in monthly deliveries for the war. The previous peak was 165,503 tons, in December, 1942. Domestic production of crude copper during May amounted to 94,078 tons, which compares with 105,227 tons in May last year. A strike of mine workers in Mexico had no influence on major non-ferrous metals here. Quicksilver dropped $10 per flask on renewed selling pressure." The publication further went on to say in part:

Copper

The record deliveries of copper established last month brought up the question in producing circles as to whether June and July will loom as large in the distribution of the metal. From present indications, it appears that the deliveries for the current month will hold around 150,000 tons, with July somewhat lower. Word on July allocations has not yet reached the trade, but it is known that some fabricators plan to reduce operating schedules because of vacations and repairs.

Lead

Demand for domestic lead was fairly active during the last week, and buying is certain to continue at a good rate until shortly before the date set for allotting foreign metal by the Tin-Lead Division for July delivery. Sales for the last week amounted to 7,782 tons, against 8,369 tons in the preceding week.

The strike of mine workers in Mexico was called on June 8, and virtually all of the large non-ferrous metal operations have been closed down since that date. Some smaller properties situated in outlying districts continued producing. The feeling persists here that the strike will be of short duration, and the lag in production is not expected to influence the market for lead one way or the other.

Receipts of lead in ore and scrap by smelters in this country, as reported by the American Bureau of Metal Statistics, in tons:

Lead in ore:	March	April
Domestic	38,894	35,951
Foreign	2,999	3,174
	41,893	39,125
*Lead in scrap	3,854	3,793
Totals	45,747	42,918

*Scrap smelted in connection with ore, plus some scrap received by primary refineries.

Zinc

Interest in July zinc by consumers so far has been moderate, compared with previous months, and producers believe a decline in the sales volume is probable. This factor may be offset by a drop in production resulting from manpower shortages. Competition in disposing of intermediate grades has been increasing.

Tin

Exports of tin concentrates from Bolivia during April contained 2,656 metric tons of tin, which compares with 3,154 tons in March and 2,906 tons in Febrary.

At a meeting of stockholders of Patino, it was stated that costs of mining and concentrating are continuing to increase, principally for labor and materials. The company is attempting to offset higher costs by improvements in recovery. Patino Mines recently shipped fairly large tonnages of tin concentrates to the United States under a special arrangement between the American and British governments, those attending the meeting were informed.

The price situation in tin remains unchanged. Straits quality tin for shipments, in cents per pound, was as follows:

	June	July	Aug.
June 8	52.000	52.000	52.000
June 9	52.000	52.000	52.000
June 10	52.000	52.000	52.000
June 12	52.000	52.000	52.000
June 13	52.000	52.000	52.000
June 14	52.000	52.000	52.000

Chinese, or 99% tin, held at 51.125c per pound.

Quicksilver

Though a fair volume of business has come into the market in recent weeks, offerings remained plentiful and prices continued to move downward. Metal was offered last week for prompt shipment from the Pacific Coast as low as $100 per flask, New York basis, and several sellers named this figure on quantity business. Quotations ranged from $100 to $105 per flask, according to quantity.

Disappointment over the slow rate of decline in production, and continued unsettlement in the market for quicksilver derivatives, brought on the latest sharp reduction in prices. The peak in prices named here during the war period was $208 per flask, late in 1941.

Final figures covering domestic output of quicksilver for 1943 have been released by the Bureau of Mines, and the record for the year is officially placed at 51,929 flasks, against 50,846 flasks in 1942. The number of mines producing in 1943 was 146, which compares with 184 in the preceding year.

Silver

The London market for silver was unchanged last week at 23½d. The New York Official for foreign silver continued at 44¾c.

Maintaining an adequate supply of silver under existing regulations presents no problem of any consequence, WPB officials told members of the flatware manufacturing industry.

Refinery output of silver in the United States during April totaled 10,212,000 ounces, of which 3,071,000 ounces was obtained from domestic sources and 7,141,000 ounces from foreign sources, the American Bureau of Metal Statistics reports. Production in March totaled 11,662,000 ounces, and in April last year 7,574,000 ounces. Stocks of silver at refineries at the end of April amounted to 5,154,000 ounces, against 1,988,000 ounces in April last year.

Columbia Announces Business Mgt. Course

Expansion of the graduate course in business to afford more thorough preparation for the management of business and economic affairs was announced by Dean Robert D. Calkins of the Columbia Universtity School of Business.

Timed to benefit returning veterans and war workers, according to Dean Calkins, the new two-year program will begin in 1945. It is designed especially for the graduate of the liberal arts or technical school, and will lead to a new degree, Master of Business Administration.

Full details of the program will be announced in the fall. Essential courses in techniques, management and the economic environment will be required in the first year. During the second year the student will specialize in a chosen field under the direction of a member of the faculty.

"The program has been developed after two years of study by the faculty of the educational requirements for the conduct of business and economic affairs in the post-war years," Dean Calkins explained.

"Our success in meeting business and economic problems of the future depends greatly on how well we educate the youth of today for those problems. We are convinced that more thorough and purposeful education is needed and that it can be given more effectively than heretofore.

"The object of our educational program is to develop the students' capacity to assume responsibility rapidly and to exercise the highest possible degree of technical competence and farsighted statesmanship in the conduct of business and economic affairs.

Weekly Coal And Coke Production Statistics

The Solid Fuels Administration for War, U. S. Department of the Interior, in its latest report, states that the total production of soft coal in the week ended June 10, 1944 is estimated at 12,460,000 net tons, as against 11,870,000 tons in the preceding week, and 11,651,000 tons in the corresponding week of last year. Cumulative output of soft coal from Jan. 1 to June 10, 1944, totaled 284,817,000 tons, compared with 262,509,000 tons in the same period in 1943, a gain of 8.5%.

Production of Pennsylvania anthracite for the week ended June 10, 1944, according to the U. S. Bureau of Mines, amounted to approximately 1,326,000 tons, an increase of 122,000 tons (10.1%) over the preceding week. When compared with the output in the corresponding week of last year, there was an increase of 9,000 tons, or 0.7%. The calendar year to date shows an increase of 8.0% when compared with the corresponding period of 1943.

The Bureau of Mines also reported that the estimated production of beehive coke in the United States for the week ended June 10, 1944, showed an increase of 20,900 tons when compared with the output for the week ended June 3, 1944; and was 15,100 tons more than for the corresponding week of 1943.

ESTIMATED UNITED STATES PRODUCTION OF COAL, IN NET TONS

Bituminous coal and lignite—	Week Ended June 10, 1944	June 3, 1944	June 12, 1943	January 1 to Date *June 10, 1944	June 12, 1943	June 12, 1937
Total incl. mine fuel	12,460,000	11,870,000	11,651,000	284,817,000	262,509,000	205,839,000
Daily average	2,077,000	†2,082,000	1,942,000	2,064,000	1,898,000	1,498,000

*Subject to current adjustment. †May 30, Memorial Day, weighted as 0.7 of a working day.

ESTIMATED PRODUCTION OF PENNSYLVANIA ANTHRACITE AND COKE

(In Net Tons)

Penn. anthracite—	Week Ended ‡June 10, 1944	§June 3, 1944	June 12, 1943	Calendar Year to Date June 10, 1944	June 12, 1943	June 15, 1929
*Total incl. coll. fuel	1,326,000	1,204,000	1,317,000	29,493,000	27,308,000	32,987,000
†Commercial produc.	1,273,000	1,156,000	1,264,000	28,315,000	26,216,000	30,612,000
Beehive coke—						
United States total	151,200	130,300	136,100	3,464,100	3,580,700	3,047,300

*Includes washery and dredge coal, and coal shipped by truck from authorized operations. †Excludes colliery fuel. ‡Subject to revision. §Revised.

ESTIMATED WEEKLY PRODUCTION OF COAL, BY STATES

(In Net Tons)

(The current weekly estimates are based on railroad carloadings and river shipments and are subject to revision on receipt of monthly tonnage reports from district and State sources or of final annual returns from the operators.)

State—	Week Ended June 3, 1944	May 27, 1944	June 5, 1943	June 5, 1937
Alabama	398,000	405,000	133,000	229,000
Alaska	4,000	5,000	4,000	3,000
Arkansas and Oklahoma	80,000	85,000	41,000	14,000
Colorado	121,000	125,000	24,000	82,000
Georgia and North Carolina	1,000	1,000	*	*
Illinois	1,407,000	1,522,000	276,000	547,000
Indiana	482,000	532,000	62,000	244,000
Iowa	41,000	32,000	20,000	25,000
Kansas and Missouri	162,000	181,000	93,000	74,000
Kentucky—Eastern	909,000	967,000	229,000	668,000
Kentucky—Western	387,000	400,000	167,000	100,000
Maryland	32,000	40,000	4,000	22,000
Michigan	3,000	5,000	*	3,000
Montana (bitum. & lignite)	68,000	71,000	44,000	37,000
New Mexico	27,000	34,000	8,000	24,000
North & South Dakota (lignite)	32,000	33,000	17,000	15,000
Ohio	621,000	705,000	252,000	419,000
Pennsylvania (bituminous)	2,946,000	3,162,000	768,000	1,758,000
Tennessee	126,000	151,000	36,000	95,000
Texas (bituminous & lignite)	3,000	2,000	*	16,000
Utah	115,000	114,000	25,000	25,000
Virginia	389,000	401,000	115,000	221,000
Washington	24,000	29,000	19,000	31,000
†West Virginia—Southern	2,240,000	2,273,000	440,000	1,498,000
‡West Virginia—Northern	1,100,000	1,133,000	198,000	467,000
Wyoming	151,000	166,000	40,000	79,000
§Other Western States	1,000	1,000	*	*
Total bituminous & lignite	11,870,000	12,575,000	3,015,000	6,696,000
Pennsylvania anthracite	1,204,000	1,369,000	136,000	969,000
Total, all coal	13,074,000	13,944,000	3,151,000	7,665,000

†Includes operations on the N. & W.; C. & O.; Virginian; K. & M.; B. C. & G.; and on the B. & O. in Kanawha, Mason and Clay counties. ‡Rest of State, including the Panhandle District and Grant, Mineral and Tucker counties. §Includes Arizona, California, Idaho and Oregon. *Less than 1,000 tons.

Civil Engineering Construction $29,222,000 For Week

Civil engineering construction volume in continental U. S. totals $29,222,000 for the week. This volume, not including the construction by military engineers abroad, American contracts outside the country, and shipbuilding, is 32% lower than in the preceding week, 34% under that reported to "Engineering News-Record" for the corresponding 1943 week, and 5% below the previous four-week moving average. The report made possible on June 15 went on to say:

Private construction for the week declined 61% from a week ago and is 7% under the week last year. Public construction is 16 and 38% lower, respectively, than a week ago and a year ago, due to the decrease in federal volume.

The week's construction bring 1944 volume to $829,378,000 for the 24 weeks, a decrease of 52% from the $1,712,510,000 reported for the 1943 period. Private work, $192,575,000, is 12% below the 24-week period last year, and public construction, $636,803,000, is 57% lower as a result of the 61% decline in federal work.

Civil engineering construction volumes for the 1943 week, last week, and the current week are:

	June 17, '43	June 8, '44	June 15, '44
Total U. S. Construction	$44,234,000	$42,923,000	$29,222,000
Private Construction	6,250,000	14,961,000	5,791,000
Public Construction	37,984,000	27,962,000	23,431,000
State and Municipal	3,671,000	7,256,000	7,877,000
Federal	34,313,000	20,706,000	15,554,000

In the classified construction groups, gains over the preceding week are in waterworks, sewerage, bridges, and earthwork and drainage. Increases over the 1943 week are in waterworks, sewerage, bridges, industrial buildings, earthwork and drainage, and streets and roads. Subtotals for the week in each class of construction are: waterworks, $1,382,000; sewerage, $1,179,000; bridges, $841,000; industrial buildings, $1,717,000; commercial building and large-scale private housing, $1,650,000; public buildings, $7,046,000; earthwork and drainage, $1,594,000; streets and roads, $6,348,000; and unclassified construction, $7,465,000.

New capital for construction purposes for the week totals $7,017,000, and is 139% above the volume for the corresponding 1943 week. The week's new financing is made up of $6,477,000 in state and municipal bond sales, and $540,000 in corporate security issues.

New construction financing for 1944 to date totals $436,116,000, and is 12% below the $496,337,000 reported for the 24-week period in 1943.

National Fertilizer Association Commodity Price Average Advances

The weekly wholesale commodity price index, compiled by The National Fertilizer Association and made public on June 19, advanced to 137.3 in the week ending June 17, the highest level in 13 weeks. A month ago this index stood at 137.2 and a year ago at 135.1, based on the 1935-1939 average as 100. The Association's report continued as follows:

The farm products group was the primary cause of the increase in the all-commodity index number. Lower quotations on wheat and heavy-weight hogs were not sufficient to offset higher quotations on cattle, lambs, ewes, rye and timothy hay. However, the grain group reached a new low for this year as heavy selling occurred with a downward trend in prices reflecting greatly improved crop yield prospects. The foods group registered two advances and two declines. However, lower prices for flour and fluid milk were not sufficient to offset higher prices for eggs and white potatoes, thus causing the foods group to advance fractionally. The sharp advance in the price of potatoes was still under the price of the corresponding period of last year. Prices for spot cotton reached new highs for the season to date, following a slight reaction on the first announcement of the invasion of western Europe. All other group indexes remained at the previous week's level.

During the week nine price series advanced and five declined; in the preceding week there were five advances and six declines; and in the second preceding week there were 11 advances and only two declines.

WEEKLY WHOLESALE COMMODITY PRICE INDEX
Compiled by The National Fertilizer Association
1935-1939=100*

% Each Group Bears to the Total Index	Group	Latest Week Jun. 17, 1944	Preceding Week Jun. 10, 1944	Month Ago May 20, 1944	Year Ago Jun. 19, 1943
25.3	Foods	138.7	138.2	138.5	139.3
	Fats and Oils	144.9	144.9	145.2	145.1
	Cottonseed Oil	163.1	163.1	156.7	159.0
23.0	Farm Products	156.0	154.9	155.0	152.2
	Cotton	205.0	202.3	199.7	199.6
	Grains	162.5	164.6	164.7	144.1
	Livestock	145.4	143.7	144.4	146.0
17.3	Fuels	130.1	130.1	130.1	122.8
10.8	Miscellaneous commodities	132.2	132.2	132.2	130.1
8.2	Textiles	152.9	152.5	152.1	151.1
7.1	Metals	104.4	104.4	104.4	104.4
6.1	Building materials	153.4	153.4	153.4	152.6
1.3	Chemicals and drugs	127.7	127.7	127.7	126.6
.3	Fertilizer materials	117.7	117.7	117.7	117.7
.3	Fertilizers	119.7	119.7	119.7	119.8
.3	Farm machinery	104.4	104.4	104.3	104.1
100.0	All groups combined	137.3	137.0	137.2	135.1

*Indexes on 1926-1928 base were: June 17, 1944, 107.0; June 10, 106.7, and June 19, 1943, 105.2.

Cottonseed Receipts To May 31

On June 13, the Bureau of Census issued the following statement showing cottonseed received, crushed, and on hand, and cottonseed products manufactured, shipped out, on hand, and exported for the ten months ended May 31, 1944 and 1943.

COTTONSEED RECEIVED, CRUSHED, AND ON HAND (TONS)

State—	*Received at mills Aug. 1 to May 31 1944	1943	Crushed Aug. 1 to May 31 1944	1943	On hand at mills May 31 1944	1943
United States	3,915,188	4,448,454	3,825,215	4,344,561	178,749	175,924
Alabama	261,092	256,752	251,373	250,472	11,904	9,613
Arizona	59,652	82,839	58,500	80,171	1,155	3,059
Arkansas	372,240	470,897	354,282	440,793	27,541	41,925
California	124,435	157,761	129,726	136,215	1,605	22,721
Georgia	357,922	340,097	336,806	337,757	23,354	6,397
Louisiana	205,634	165,194	204,697	165,415	1,480	523
Mississippi	708,850	741,804	669,814	710,539	50,576	37,506
North Carolina	224,027	270,662	215,967	270,052	9,125	2,267
Oklahoma	110,490	218,877	109,841	222,194	2,441	1,147
South Carolina	196,478	205,349	192,379	203,810	6,692	1,486
Tennessee	279,622	381,954	267,386	377,431	15,502	13,710
Texas	909,886	1,011,476	927,410	1,016,616	27,145	27,815
All other states	104,860	144,792	107,034	133,096	229	7,755

*Includes 1,560 and 9,897 tons destroyed at mills but not 90,336 and 81,928 tons on hand Aug. 1 nor 48,816 and 56,860 tons reshipped for 1944 and 1943 respectively.

COTTONSEED PRODUCTS MANUFACTURED, SHIPPED OUT, AND ON HAND

Items—	Season	On hand Aug. 1	Produced Aug. 1 to May 31	Shipped out Aug. 1 to May 31	On hand May 31
Crude oil	1943-44	*23,283	1,195,426	1,185,521	*65,050
(thousand pounds)	1942-43	34,460	1,350,389	1,341,485	66,027
Refined oil	1943-44	†207,409	§1,086,038	------	†333,162
(thousand pounds)	1942-43	310,191	1,218,038	------	270,593
Cake and meal	1943-44	18,542	1,774,964	1,744,161	49,345
(tons)	1942-43	190,100	1,924,476	2,078,255	36,321
Hulls	1943-44	11,964	894,977	880,598	26,343
(tons)	1942-43	44,118	1,048,266	1,070,250	22,134
Linters	1943-44	135,927	‡1,142,381	1,107,685	‡170,623
(running bales)	1942-43	43,295	1,305,813	1,096,839	252,269
Hull fiber	1943-44	556	21,456	21,465	547
(500-lb. bales)	1942-43	229	32,479	31,615	1,093
Grabbots, motes, &c.	1943-44	14,106	46,673	44,009	16,770
(500-lb. bales)	1942-43	23,644	60,590	61,350	22,884

*Includes 13,826,000 and 44,354,000 pounds held by refining and manufacturing establishments and 3,150,000 and 4,484,000 pounds in transit to refiners and consumers Aug. 1, 1943 and May 31, 1944 respectively.

†Includes 3,196,000 and 8,073,000 pounds held by refiners, brokers, agents and warehousemen at places other than refineries and manufacturing establishments and 3,734,000 and 2,820,000 pounds in transit to manufacturers of shortening, soap, etc. August 1, 1943, and May 31, 1944, respectively. Does not include winterized oil.

‡Total linters produced includes 278,189 bales first cut, 786,493 bales second cut cut and 77,699 bales mill run. Total held includes 54,836 bales first cut, 99,424 bales second cut and 16,363 bales mill run.

§Produced from 1,154,221,000 pounds of crude oil.

Exports and Imports of Cottonseed Products

In the interest of national defense, the Department of Commerce has discontinued until further notice the publication of statistics concerning imports and exports.

Market Transactions In Govts. For May

During the month of May, market transactions in direct and guaranteed securities of the Government for Treasury investment and other accounts resulted in net sales of $9,965,000, Secretary Morgenthau announced on June 15. In April there were net sales of $16,511,300.

The following tabulation shows the Treasury's transactions in Government securities for the last two years:

1942—		
May	$16,625	purchased
June	250,000	sold
July	2,295,000	sold
August	8,446,000	sold
September	4,500.000	sold
October	1,000,800	sold
November	No sales or	purchases
December	No sales or	purchases
1943—		
January	$14,500,000	sold
February	90,300,000	sold
March	72,927,750	sold
April	400,000	purchased
May	35,200,000	sold
June	145,768,000	sold
July	67,757,200	sold
August	15,800,000	sold
September	2,651,600	sold
October	No sales or	purchases
November	$5.000.000	sold
December	4,800,000	purchased
1944—		
January	$9,924,000	sold
February	105,100,000	sold
March	11,500.000	sold
April	16,511,300	sold
May	9,965,000	sold

Senate Group Shelves "Work or Fight" Bill

The Brewster-Bailey work-or-be-drafted bill, introduced about the end of April as a possible substitute for the dormant Austin-Wadsworth national service proposal, met the fate of its predecessor on May 30, when the Senate Military Affairs Committee decided to discontinue hearings on the subject. This was reported in advices to the New York "Herald Tribune" from its Washington bureau, which further said:

The decision to inter the bill along with its more inclusive companion piece in effect told the chiefs of the armed forces for the second time that the Congress, at least for the present, will not entertain any form of work draft.

The interment notice, posted inconspicuously on a Senate bulletin board, said merely that the hearings on the Brewster-Bailey bill had been discontinued "indefinitely." The one sentence announcement was signed by Senator Robert R. Reynolds, Chairman of the Committee, which had previously relegated the Austin-Wadsworth bill to a similar position in limbo.

The action on the bill, sometimes referred to as the 4-F bill because it would force 4-F's into war work at the threat of being drafted into Army and Navy service battalions, came unexpectedly but was welcomed by most members of Congress.

Senator Edwin C. Johnson, Democrat, of Colorado, a committee member, said that the decision to discontinue hearings, and thus table the bill, was not taken at a meeting of the full committee. The majority of the committee, though, he said, had made their feelings regarding the bill amply clear to the Chairman.

Neither of the sponsors of the measure — Senator Owen Brewster, Republican, of Maine, and Josiah W. Bailey, Democrat, of North Carolina—was in Washington today. But it was recalled that they said recently that their legislation could be passed only if President Roosevelt came out for it. To date Mr. Roosevelt has refrained from any indorsement of national service legislation, beyond that in his annual message to Congress on the state of the Union last January, when he conditioned a request for such legislation on the passage of other home-front measures which never have been enacted.

Daily Average Crude Oil Production For Week Ended June 10, 1944 Declined Only 250 Barrels

The American Petroleum Institute estimates that the daily average gross crude oil production for the week ended June 10, 1944 was 4,522,500 barrels, a decrease of only 250 barrels per day when compared with the output in the preceding week and 63,100 barrels less than the daily average figure recommended by the Petroleum Administration for War for the month of June, 1944. The current figure, however, was 534,700 barrels per day higher than reported for the week ended June 12, 1943. Daily production for the four weeks ended June 10, 1944, averaged 4,518,000 barrels. Further details as reported by the Institute follow:

Reports received from refining companies indicate that the industry as a whole ran to stills on a Bureau of Mines basis approximately 4,670,00 barrels of crude oil daily (a new record) and produced 14,220,000 barrels of gasoline; 1,586,000 barrels of kerosine; 4,996,00 barrels of distillate fuel oil, and 9,008,000 barrels of residual fuel oil during the week ended June 10, 1944; and had in storage at the end of that week 86,911,000 barrels of gasoline; 8,403,000 barrels of kerosine; 33,669,000 barrels of distillate fuel, and 51,221,000 barrels of residual fuel oil. The above figures apply to the country as a whole, and do not reflect conditions on the East Coast.

DAILY AVERAGE CRUDE OIL PRODUCTION (FIGURES IN BARRELS)

	*P. A. W. Recommendations June	*State Allowables begin. June 1	Actual Production Week Ended June 10, 1944	Change from Previous Week	4 Weeks Ended June 10, 1944	Week Ended June 12, 1943
Oklahoma	332,000	332,000	†330,350	— 850	332,300	334,650
Kansas	274,000	269,600	†258,750	—15,600	275,100	305,700
Nebraska	1,000	----	†900	— 100	1,000	2,100
Panhandle Texas			92,150	+ 650	91,400	90,100
North Texas			149,400	+ 1,250	148,000	131,800
West Texas			447,900	+10,700	435,800	228,950
East Central Texas			145,000	+ 4,500	140,000	123,500
East Texas			360,550	— 2,050	362,800	334,900
Southwest Texas			312,950	+ 3,400	309,200	206,350
Coastal Texas			528,450	+ 4,900	522,900	380,200
Total Texas	2,039,000	‡2,042,059	2,036,400	+23,350	2,010,100	1,495,800
North Louisiana			73,550	+ 400	73,500	85,850
Coastal Louisiana			288,750	+ 3,250	285,100	240,850
Total Louisiana	350,000	395,000	362,300	+ 3,650	358,600	326,700
Arkansas	78,000	77,991	80,650	+ 200	80,600	73,800
Mississippi	42,000		43,300	+ 1,500	41,600	52,650
Alabama			100	----	100	----
Florida			50	----	50	----
Illinois	220,000		201,750	— 8,600	208,800	226,800
Indiana	14,000		12,250	— 250	12,600	14,050
Eastern— (Not incl. Ill., Ind., Ky.)	73,600		68,300	— 1,550	70,200	79,350
Kentucky	23,000		20,100	— 2,000	21,100	21,750
Michigan	51,000		50,200	— 300	49,700	61,000
Wyoming	94,000		81,250	— 1,600	82,800	94,700
Montana	24,400		21,300	----	21,300	20,900
Colorado	7,400		8,750	+ 500	8,400	7,200
New Mexico	113,000	113,000	108,200	----	108,100	97,150
Total East of Calif	3,736,400		3,684,900	— 1,650	3,682,600	3,214,300
California	849,200	§849,200	837,600	+ 1,400	835,600	773,500
Total United States	4,585,600		4,522,500	— 250	4,518,200	3,987,800

*P.A.W. recommendations and state allowables, as shown above, represent the production of crude oil only, and do not include amounts of condensate and natural gas derivatives to be produced.

†Oklahoma, Kansas, Nebraska figures are for week ended 7:00 a.m. June 8, 1944.

‡This is the net basic allowable as of June 1 calculated on a 30-day basis and includes shutdowns and exemptions for the entire month. With the exception of several fields which were exempted entirely and of certain other fields for which shutdowns were ordered for from 1 to 15 days, the entire state was ordered shut down for 7 days, no definite dates during the month being specified; operators only being required to shut down as best suits their operating schedules or labor needed to operate leases, a total equivalent to 7 days shutdown time during the calendar month. §Recommendation of Conservation Committee of California Oil Producers.

CRUDE RUNS TO STILLS; PRODUCTION OF GASOLINE; STOCKS OF FINISHED AND UNFINISHED GASOLINE, GAS OIL AND DISTILLATE FUEL AND RESIDUAL FUEL OIL, WEEK ENDED JUNE 10, 1944

(Figures in Thousands of barrels of 42 Gallons Each)

Figures in this section include reported totals plus an estimate of unreported amounts and are ——therefore on a Bureau of Mines basis——

District—	Daily Refining Capacity Potential Rate	Daily Refining Capacity % Reporting	Crude Runs to Stills Daily Average	Crude Runs to Stills % Operated	§Gasoline Production at Refineries Includ. Natural Blended	‡Stocks Finished and Unfinished Gasoline	‡Stocks of Gas Oil and Distillate Fuel Oil	‡Stocks of Residual Fuel Oil
*Combin'd: East Coast Texas Gulf, Louisiana Gulf, North Louisiana-Arkansas, and inland Texas	2,518	90.3	2,466	97.9	7,239	38,228	18,105	15,379
Appalachian— District No. 1	130	83.9	94	72.3	311	1,879	910	248
District No. 2	47	87.2	50	106.4	141	1,207	400	182
Ind., Ill., Ky.	824	85.2	780	94.7	240	19,742	4,902	3,130
Okla., Kans., Mo.	418	80.2	356	85.2	1,209	7,817	1,452	1,371
Rocky Mountain— District No. 3	13	17.0	12	92.3	35	67	5	31
District No. 4	141	58.3	106	75.2	395	2,424	333	589
California	817	89.9	806	98.7	2,149	15,547	7,562	30,291
Total U. S. B. of M. basis June 10, 1944	4,908	87.2	4,670	95.2	14,220	†86,911	33,669	51,221
Total U. S. B. of M. basis June 3, 1944	4,908	87.2	4,620	94.1	13,680	87,084	32,586	50,238
U. S. Bur. of Mines basis June 12, 1943			3,794		10,934	81,234	30,773	67,309

*At the request of the Petroleum Administration for War. †Finished, 74,679,000 barrels; unfinished, 12,232,000 barrels. ‡At refineries, at bulk terminals, in transit and in pipe lines. §Not including 1,586,000 barrels of kerosine, 4,996,000 barrels of gas oil and distillate fuel oil and 9,008,000 barrels of residual fuel oil produced during the week ended June 10, 1944, which compares with 1,477,000 barrels, 4,890,000 barrels and 9,157,000 barrels, respectively, in the preceding week and 1,413,000 barrels, 3,498,000 barrels and 7,597,000 barrels, respectively, in the week ended June 12, 1943.

Note—Stocks of kerosine at June 10, 1944, amounted to 8,403,000 barrels, as against 8,216,000 barrels a week earlier and 7,072,000 barrels a year before.

Trading On New York Exchanges

The Securities and Exchange Commission made public on June 10 figures showing the volume of total round-lot stock sales on the New York Stock Exchange and the New York Curb Exchange and the volume of round-lot stock transactions for the account of all members of these exchanges in the week ended May 20, continuing a series of current figures being published weekly by the Commission. Short sales are shown separately from other sales in these figures.

Trading on the Stock Exchange for the account of members (except odd-lot dealers) during the week ended May 27 (in round-lot transactions) totaled 1,571,894 shares, which amount was 16.43% of the total transactions on the Exchange of 4,782,560 shares. This compares with member trading during the week ended May 20 of 1,289,965 shares, or 16.15% of the total trading of 3,993,920 shares. On the New York Curb Exchange, member trading during the week ended May 27 amounted to 277,670 shares, or 13.99% of the total volume on that exchange of 992,990 shares; during the May 20 week trading for the account of Curb members of 248,425 shares was 14.62% of total trading of 849,800 shares.

Total Round-Lot Stock Sales on the New York Stock Exchange and Round-Lot Stock Transactions for Account of Members* (Shares)

WEEK ENDED MAY 27, 1944

	Total for Week	†%
A. Total Round-Lot Sales:		
Short sales	208,950	
‡Other sales	4,573,610	
Total sales	4,782,560	
B. Round-Lot Transactions for Account of Members, Except for the Odd-Lot Accounts of Odd-Lot Dealers and Specialists:		
1. Transactions of specialists in stocks in which they are registered—		
Total purchases	407,420	
Short sales	56,330	
‡Other sales	315,160	
Total sales	371,490	8.14
2. Other transactions initiated on the floor—		
Total purchases	246,950	
Short sales	23,870	
‡Other sales	213,180	
Total sales	237,050	5.06
3. Other transactions initiated off the floor—		
Total purchases	126,084	
Short sales	32,350	
‡Other sales	150,550	
Total sales	182,900	3.23
4. Total—		
Total purchases	780,454	
Short sales	112,550	
‡Other sales	678,890	
Total sales	791,440	16.43

Total Round-Lot Stock Sales on the New York Curb Exchange and Stock Transactions for Account of Members* (Shares)

WEEK ENDED MAY 27, 1944

	Total for Week	†%
A. Total Round-Lot Sales:		
Short sales	6,795	
‡Other sales	985,795	
Total sales	992,590	
B. Round-Lot Transactions for Account of Members:		
1. Transactions of specialists in stocks in which they are registered—		
Total purchases	64,240	
Short sales	3,410	
‡Other sales	69,785	
Total sales	73,195	6.92
2. Other transactions initiated on the floor—		
Total purchases	29,045	
Short sales	800	
‡Other sales	25,720	
Total sales	26,520	2.80
3. Other transactions initiated off the floor—		
Total purchases	39,000	
Short sales	950	
‡Other sales	44,720	
Total sales	45,670	4.27
4. Total—		
Total purchases	132,285	
Short sales	5,160	
‡Other sales	140,225	
Total sales	145,385	13.99
C. Odd-Lot Transactions for Account of Specialists—		
Customers' short sales	0	
§Customers' other sales	43,869	
Total purchases	43,869	
Total sales	30,998	

*The term "members" includes all regular and associate Exchange members, their firms and their partners, including special partners.

†In calculating these percentages the total of members' purchases and sales is compared with twice the total round-lot volume on the Exchange for the reason that the Exchange volume includes only sales.

‡Round-lot short sales which are exempted from restriction by the Commission's rules are included with "other sales."

§Sales marked "short exempt" are included with "other sales."

Commercial Paper Outstanding

Reports received by the Federal Reserve Bank of New York from commercial paper dealers show a total of $150,700,000 of open market paper outstanding on May 31, 1944, the bank announced on June 13. This compares with $171,500,000 outstanding on April 29, 1944, and $159,600,000 on May 29, 1943.

Following are the totals for the last two years:

1944—	$	1943—	$
May 31	150,700,000	May 29	159,600,000
Apr 29	171,500,000	Apr 30	178,900,000
Mar 31	194,800,000	Mar 31	200,600,000
Feb 29	213,700,000	Feb 27	209,100,000
Jan 31	208,900,000	Jan 30	220,400,000
1943—		1942—	
Dec 31	202,000,000	Dec 31	229,900,000
Nov 30	203,300,000	Nov 30	260,600,000
Oct 30	187,800,000	Oct 31	271,400,000
Sep 30	169,500,000	Sep 30	281,800,000
Aug 31	156,200,000	Aug 31	297,200,000
July 31	149,800,000	July 31	305,300,000
Jun 30	143,300,000	Jun 30	315,200,000

NYSE Odd-Lot Trading

The Securities and Exchange Commission made public on June 13 a summary for the week ended June 3 of complete figures showing the daily volume of stock transactions for odd-lot account of all odd-lot dealers and specialists who handled odd lots on the New York Stock Exchange, continuing a series of current figures being published by the Commission. The figures are based upon reports filed with the Commission by the odd-lot dealers and specialists.

STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE

Week Ended June 3, 1944

	Total for Week
Odd-Lot Sales by Dealers (Customers' purchases)	
Number of orders	17,931
Number of shares	500,889
Dollar value	$20,320,946
Odd-Lot Purchases by Dealers— (Customers' sales)	
Number of Orders:	
Customers' short sales	123
*Customers' other sales	17,229
Customers' total sales	17,352
Number of Shares:	
Customers' short sales	3,856
*Customers' other sales	456,033
Customers' total sales	459,889
Dollar value	$15,755,749
Round-Lot Sales by Dealers—	
Number of Shares:	
Shore Sales	60
†Other sales	128,200
Total sales	128,260
Round-Lot Purchases by Dealers:	
Number of shares	163,420

*Sales marked "short exempt" are reported with "other sales."

†Sales to offset customers' odd-lot orders, and sales to liquidate a long position which is less than a round lot are reported with "other sales."

Cotton Spinning For May

The Bureau of the Census announced on June 19, that according to preliminary figures, 23,312,010 cotton spinning spindles were in place in the United States on May 31, 1944, of which 22,387,784 were operated at some time during the month, compared with 22,411,922 for April, 22,568,308 for March, 22,513,300 for February, 22,217,994 for January, and 22,777,078 for May, 1943. The aggregate number of active spindle hours reported for the month was 10,060,478,468, compared with 9,315,634,608 for last month and 10,576,746,785 for May, 1943. Based on an activity of 80 hours per week, the cotton spindles in the United States were operated during May, 1944, at 119.0% capacity. This percentage compares, on the same basis, with 124.9 for April, 122.0 for March, 123.3 for February, 124.0 for January, and 134.1 for May, 1943. The average number of active spindle hours per spindle in place for the month was 432, compared with 400 for last month and 451 for May, 1943.

Dems. Lose House Majority

For the first time in 13 years, the Democrats lost today an actual majority of the House membership with the election of a Republican in the Nineteenth Illinois district. This was indicated in an Associated Press account from Washington in the New York "Times," which added:

"The new line-up became 216 Democrats, 212 Republicans and four minor party members. Thus, the Democrats have exactly half the membership. There are three vacancies.

"Joseph W. Martin, Jr., Republican leader, declared that 'we have no intention, at this time, of trying to reorganize the House.' He added, 'The trend is still toward the Republican party.'

"Should the Republicans take control through the Fall elections Mr. Martin is slated for the Speakership.

"In the Illinois election today Rolla C. McMillen was elected to the vacancy caused by the death of William H. Wheat, Republican. No Democrat sought the seat.

Revenue Freight Car Loadings During Week Ended June 10, 1944 Increased 63,421 Cars

Loading of revenue freight for the week ended June 10, 1944, totaled 874,193 cars, the Association of American Railroads announced on June 15. This was an increase above the corresponding week of 1943 of 19,707 cars, or 2.3%, and an increase above the same week in 1942 of 41,558 cars or 5.0%.

Loading of revenue freight for the week of June 10, increased 63,421 cars, or 7.8% above the preceding week which included holiday on May 30.

Miscellaneous freight loading totaled 383,394 cars, an increase of 23,045 cars above the preceding week, and an increase of 1,980 cars above the corresponding week in 1943.

Loading of merchandise less than carload lot freight totaled 104,156 cars, an increase of 7,076 cars above the preceding week, and an increase of 5,393 cars above the corresponding week in 1943.

Coal loading amounted to 182,601 cars, an increase of 12,636 cars above the preceding week, and an increase of 12,088 cars above the corresponding week in 1943.

Grain and grain products loading totaled 43,895 cars, an increase 6,788 cars above the preceding week but a decrease of 1,571 cars below the corresponding week in 1943. In the Western Districts alone, grain and grain products loading for the week of June 10, totaled 29,336 cars, an increase of 5,354 cars above the preceding week but a decrease of 1,589 cars below the corresponding week in 1943.

Live stock loading amounted to 14,143 cars, an increase of 1,488 cars above the preceding week, and an increase of 1,252 cars above the corresponding week in 1943. In the Western Districts alone loading of live stock for the week of June 10 totaled 10,163 cars, an increase of 947 cars above the preceding week, and an increase of 1,294 cars above the corresponding week in 1943.

Forest products loading totaled 47,826 cars, an increase of 8,444 cars above the preceding week and an increase of 3,528 cars above the corresponding week in 1943.

Ore loading amounted to 83,001 cars, an increase of 3,438 cars above the preceding week but a decrease of 4,346 cars below the corresponding week in 1943.

Coke loading amounted to 15,177 cars, an increase of 506 cars above the preceding week, and an increase of 1,383 cars above the corresponding week in 1943.

All districts reported increases compared with the corresponding week in 1943, except Eastern & Pocahontas. All districts reported increases compared with 1942, except Pocahontas and Northwestern.

	1944	1943	1942
5 Weeks of January	3,796,477	3,531,811	3,858,479
4 weeks of February	3,159,492	3,055,725	3,122,942
4 weeks of March	3,135,155	3,073,445	3,174,781
5 weeks of April	4,068,625	3,924,981	4,209,907
4 weeks of May	3,446,252	3,363,195	3,311,637
Week of June 3	810,772	667,609	854,689
Week of June 10	874,193	854,486	832,635
Total	19,290,966	18,471,252	19,365,070

The following table is a ummary of the freight carloadings for the separate railroads and systems for the week ended June 10, 1944. During the period 77 roads showed increases when compared with the corresponding week a year ago when the coal miners were on strike.

REVENUE FREIGHT LOADED AND RECEIVED FROM CONNECTIONS (NUMBER OF CARS) WEEK ENDED JUNE 10

Railroads	Total Revenue Freight Loaded			Total Loads Received from Connections	
	1944	1943	1942	1944	1943
Eastern District—					
Ann Arbor	267	239	385	1,338	1,341
Bangor & Aroostook	1,061	875	1,173	359	275
Boston & Maine	7,065	6,092	5,984	14,538	13,067
Chicago, Indianapolis & Louisville	1,305	1,478	1,326	2,249	1,899
Central Indiana	32	33	23	39	35
Central Vermont	1,155	1,013	1,020	2,261	2,612
Delaware & Hudson	5,932	6,412	6,236	12,505	9,880
Delaware, Lackawanna & Western	7,686	7,569	8,063	11,225	11,363
Detroit & Mackinac	293	297	344	110	118
Detroit, Toledo & Ironton	1,744	1,749	1,835	1,152	1,302
Detroit & Toledo Shore Line	320	292	319	2,438	1,978
Erie	13,513	13,572	13,261	16,572	16,984
Grand Trunk Western	3,884	4,023	3,826	7,845	7,154
Lehigh & Hudson River	215	193	217	2,868	1,886
Lehigh & New England	2,075	2,067	1,767	1,724	1,042
Lehigh Valley	9,445	9,030	8,713	15,459	14,095
Maine Central	2,403	2,138	2,298	2,883	2,304
Monongahela	6,613	5,824	6,505	325	322
Montour	2,868	2,526	2,422	25	197
New York Central Lines	50,390	54,146	44,264	53,504	48,076
N. Y., N. H. & Hartford	9,911	10,208	9,534	18,749	16,508
New York, Ontario & Western	1,391	1,339	1,138	3,639	1,997
New York, Chicago & St. Louis	6,691	7,140	7,208	15,886	15,099
N. Y., Susquehanna & Western	516	535	499	2,253	1,533
Pittsburgh & Lake Erie	7,572	7,134	8,092	9,227	8,737
Pere Marquette	4,757	5,224	5,603	7,898	6,411
Pittsburg & Shawmut	943	1,072	792	36	25
Pittsburg, Shawmut & North	359	416	398	276	309
Pittsburgh & West Virginia	1,487	1,317	1,204	2,537	3,762
Rutland	378	336	364	1,091	896
Wabash	5,594	5,160	4,964	12,053	12,516
Wheeling & Lake Erie	5,823	5,827	5,253	4,265	4,636
Total	163,688	165,276	155,010	227,329	208,058
Allegheny District—					
Akron, Canton & Youngstown	672	875	608	1,214	997
Baltimore & Ohio	47,557	43,297	40,269	29,226	27,369
Bessemer & Lake Erie	6,262	7,026	6,919	2,349	1,714
Buffalo Creek & Gauley	*327	302	297	*4	4
Cambria & Indiana	1,669	1,500	2,069	3	6
Central R. R. of New Jersey	7,470	7,087	6,974	19,885	20,236
Cornwall	551	651	623	50	51
Cumberland & Pennsylvania	239	325	275	10	12
Ligonier Valley	168	195	112	38	51
Long Island	1,174	1,129	738	3,962	3,536
Penn-Reading Seashore Lines	1,741	1,750	1,604	2,671	2,916
Pennsylvania System	87,492	85,754	83,616	68,765	60,967
Reading Co.	15,321	14,145	14,127	28,645	23,595
Union (Pittsburgh)	20,315	18,830	21,151	7,359	7,842
Western Maryland	4,192	3,898	4,122	11,647	10,710
Total	195,150	186,764	183,504	175,828	160,006
Pocahontas District—					
Chesapeake & Ohio	29,787	29,804	29,069	14,255	10,928
Norfolk & Western	22,298	22,510	23,474	7,917	7,068
Virginian	4,914	4,930	4,559	2,164	2,133
Total	56,999	57,244	57,102	24,336	20,129
Southern District—					
Alabama, Tennessee & Northern	295	294	339	365	261
Atl. & W. P.—W. R. R. of Ala	718	582	707	2,910	2,609
Atlanta, Birmingham & Coast	677	721	749	1,350	1,247
Atlantic Coast Line	12,720	12,769	12,416	9,228	9,806
Central of Georgia	3,731	4,102	3,796	5,613	4,101
Charleston & Western Carolina	402	504	384	1,885	1,633
Clinchfield	1,634	1,618	1,762	2,954	2,495
Columbus & Greenville	257	307	300	264	120
Durham & Southern	137	99	136	640	640
Florida East Coast	954	2,112	763	1,469	1,894
Gainesville Midland	47	38	33	126	87
Georgia	1,235	1,147	1,214	2,642	2,947
Georgia & Florida	477	342	426	635	476
Gulf, Mobile & Ohio	4,037	3,523	4,224	4,502	4,262
Illinois Central System	28,338	27,766	26,245	15,806	18,467
Louisville & Nashville	25,261	24,469	26,946	11,704	11,845
Macon, Dublin & Savannah	166	141	142	1,153	803
Mississippi Central	297	196	207	654	478
Nashville, Chattanooga & St. L.	3,130	3,326	3,740	4,379	4,554
Norfolk Southern	1,179	1,183	1,880	1,737	1,433
Piedmont Northern	407	340	318	1,190	966
Richmond, Fred. & Potomac	384	358	500	10,841	11,519
Seaboard Air Line	10,363	11,288	10,186	8,592	7,473
Southern System	23,580	21,199	22,898	26,343	22,535
Tennessee Central	760	549	590	819	899
Winston-Salem Southbound	149	106	89	993	858
Total	121,335	119,079	120,990	118,794	114,408
Northwestern District—					
Chicago & North Western	19,753	19,428	20,966	12,975	11,705
Chicago Great Western	2,807	2,813	2,183	3,397	2,872
Chicago, Milw., St. P. & Pac.	21,723	20,405	17,865	9,868	9,928
Chicago, St. Paul, Minn. & Omaha	3,506	3,179	3,219	3,587	3,384
Duluth, Missabe & Iron Range	29,343	27,457	28,603	305	340
Duluth, South Shore & Atlantic	1,014	1,222	1,364	492	727
Elgin, Joliet & Eastern	8,600	8,525	9,742	11,362	9,044
Ft. Dodge, Des Moines & South	400	432	550	66	101
Great Northern	22,977	25,390	24,792	7,397	6,289
Green Bay & Western	439	443	535	839	925
Lake Superior & Ishpeming	2,373	3,093	3,409	42	31
Minneapolis & St. Louis	2,220	1,928	1,934	2,614	1,995
Minn., St. Paul & S. S. M.	6,569	6,954	7,524	3,345	2,802
Northern Pacific	10,502	10,429	10,427	5,664	5,423
Spokane International	128	97	232	643	522
Spokane, Portland & Seattle	2,597	2,518	2,500	3,569	4,035
Total	134,951	134,313	135,845	66,165	60,123
Central Western District—					
Atch., Top. & Santa Fe System	26,326	23,601	23,027	11,794	11,870
Alton	3,373	2,936	3,193	3,755	4,059
Bingham & Garfield	488	454	704	57	65
Chicago, Burlington & Quincy	18,851	17,416	15,650	12,062	11,282
Chicago & Illinois Midland	3,176	3,143	2,221	840	617
Chicago, Rock Island & Pacific	12,091	11,958	11,771	12,328	12,235
Chicago & Eastern Illinois	2,708	2,575	1,846	7,183	5,976
Colorado & Southern	583	768	792	2,325	2,047
Denver & Rio Grande Western	3,799	3,130	3,038	5,762	6,077
Denver & Salt Lake	717	715	568	19	22
Fort Worth & Denver City	967	1,065	1,149	1,485	1,958
Illinois Terminal	2,029	1,548	1,685	2,174	1,807
Missouri-Illinois	1,183	968	1,262	548	343
Nevada Northern	1,834	1,923	2,011	120	75
North Western Pacific	990	1,148	1,022	758	665
Peoria & Pekin Union	4	7	7	0	0
Southern Pacific (Pacific)	32,250	32,765	29,248	13,143	13,784
Toledo, Peoria & Western	304	295	225	2,116	1,624
Union Pacific System	13,862	12,736	12,680	17,194	17,322
Utah	509	519	576	6	3
Western Pacific	1,972	2,008	2,191	4,247	3,808
Total	128,016	121,678	114,866	97,919	95,639
Southwestern District—					
Burlington-Rock Island	561	1,077	262	442	259
Gulf Coast Lines	5,702	5,474	4,332	2,375	2,527
International-Great Northern	2,574	2,320	2,649	4,006	3,479
Kansas, Oklahoma & Gulf	298	231	281	979	896
Kansas City Southern	6,624	5,362	5,033	2,828	2,809
Louisiana & Arkansas	3,935	3,625	4,586	3,142	3,191
Litchfield & Madison	307	400	384	1,297	1,245
Midland Valley	637	587	619	399	267
Missouri & Arkansas	162	167	115	429	434
Missouri-Kansas-Texas Lines	7,098	6,068	4,937	5,105	5,933
Missouri Pacific	16,770	15,641	16,064	19,178	17,817
Quanah Acme & Pacific	58	78	77	352	127
St. Louis-San Francisco	8,777	7,890	9,112	8,393	9,759
St. Louis Southwestern	3,258	3,469	2,847	7,263	7,272
Texas & New Orleans	12,631	13,329	9,682	4,925	5,186
Texas & Pacific	4,511	4,293	4,193	7,812	7,755
Weatherford M. W. & N. W.	127	98	115	85	30
Wichita Falls & Southern	24	23	30	20	12
Total	74,054	70,132	65,318	69,030	68,998

* Previous week's figure.
Note—Previous year's figures revised.

Weekly Statistics Of Paperboard Industry

We give herewith latest figures received by us from the National Paperboard Association, Chicago, Ill., in relation to activity in the paperboard industry.

The members of this Association represent 83% of the total industry, and its program includes a statement each week from each member of the orders and production, and also a figure which indicates the activity of the mill based on the time operated. These figures are advanced to equal 100%, so that they represent the total industry.

STATISTICAL REPORTS—ORDERS, PRODUCTION, MILL ACTIVITY

Period 1944—Week Ended	Orders Received Tons	Production Tons	Unfilled Orders Remaining Tons	Percent of Activity Current	Percent of Activity Cumulative
March 4	178,375	146,926	650,606	95	94
March 11	152,627	144,761	655,682	95	94
March 18	136,105	150,940	639,537	95	94
March 25	125,806	147,604	613,978	97	94
April 1	138,724	141,959	607,537	93	94
April 8	179,056	144,422	635,727	94	94
April 15	145,936	143,883	636,176	92	94
April 22	138,712	158,871	610,555	98	94
April 29	147,768	156,041	601,880	98	95
May 6	186,666	158,534	628,495	98	95
May 13	144,921	150,435	620,728	95	95
May 20	140,287	157,370	602,062	97	95
May 27	138,501	155,105	582,090	96	95
June 3	170,421	152,461	599,322	93	95
June 10	144,384	157,794	584,083	96	95

Notes—Unfilled orders of the prior week, plus orders received, less production, do not necessarily equal the unfilled orders at the close. Compensation for delinquent reports, orders made for or filled from stock, and other items made necessary adjustments of unfilled orders.

Greater NY Fund Gets Record Campaign Total

Subscriptions from business concerns and employee groups amounting to $4,023,511 for the intensive part of the 1944 city-wide appeal, the largest sum ever raised in a like period by The Greater New York Fund, were announced by General Campaign Chairman J. Stewart Baker, Chairman of the Board of the Bank of the Manhattan Company at the Fund's third report luncheon at the Commodore Hotel.

This figure, Mr. Baker pointed out, is 89% of the Fund's $4,500,000 goal for the entire year and compares with $3,601,936 announced at the third report luncheon of the 1943 campaign. In that latter year, the total raised by the Fund was $4,334,298.

The success achieved so far this year was referred to by Mr. Baker in summing up the progress of the campaign. He said:

"We must do all we can to clean up such remaining assignments as we have. This will help make certain that our goal is attained —and it must be before the end of the year.

"We cannot take an active part in the invasion of Europe, but we can have a part in supporting the home front. It is up to you and me to impress this fact upon the business men and women of our city. Let's see that The Greater New York Fund observes the year of D-Day by 'going over the top.'"

Reports of the campaign's progress in the boroughs were submitted by the borough chairmen as follows: Charles J. Stewart, Vice-President of the New York Trust Company, $3,137,908 for Manhattan; James A. Lundy, President of Lunco, Inc., $221,934 for Queens; William C. Thompson, Vice-President of The Bank of the Manhattan Company, $116,377 for the Bronx; Philip A. Benson, President of the Dime Savings Bank of Brooklyn, $460,331 for that borough and Dr. John M. Avent, of the Staten Island Community War Chest, reported $88,961 for Richmond, which almost doubles last year's total of $46,683.

Lumber Movement—Week Ended June 10, 1944

According to the National Lumber Manufacturers Association, lumber shipments of 524 mills reporting to the National Lumber Trade Barometer were 4.4% below production for the week ended June 10, 1944. In the same week new orders of these mills were 0.7% above production. Unfilled order files of the reporting mills amounted to 118.7% of stocks. For reporting softwood mills, unfilled orders are equivalent to 41 days' production at the current rate, and gross stocks are equivalent to 32 days' production.

For the year to date, shipments of reporting identical mills exceeded production by 6.6%; orders by 10.3%.

Compared to the average corresponding week of 1935-39, production of reporting mills was 36.6% greater; shipments were 35.7% greater, and orders were 51.9% greater.

Asst. Mgr. Memphis Branch Of St. Louis Reserve Bank

An announcement June 13 by C. M. Stewart, Vice-President and Secretary of the Federal Reserve Bank of St. Louis, says:

In accordance with the recommendation of the Board of Directors of the Memphis Branch of the Federal Reserve Bank of St. Louis, the Board of the parent bank has elected H. Clopton Anderson as Assistant Manager of the branch effective June 8. Mr. Anderson entered the employ of the Memphis Branch in 1919, and has been serving as a department head since 1925. He is a graduate of the American Institute of Banking.

Items About Banks, Trust Companies

M. Hadden Howell of Hackensack, N. J., a Vice-President of the Chase National Bank, died on June 17 after a long illness. Mr. Howell entered the employ of the Chase National Bank in 1902, first serving in the Credit Department. He was made a Vice-President in 1928. He was a member of the Union League and Bankers clubs.

The Continental Bank & Trust Co. of New York announced on June 15 the election of Charles S. Parker, Jr., as a Vice-President. Effective July 15, Mr. Parker will be in charge of the investment portfolio and the municipal bond department of the bank. For some years he has been an Assistant Treasurer of the Guaranty Trust Co. of New York where he is connected with the Treasurer's Division in the management of the bank's investments. Mr. Parker is a graduate of the University of Missouri and also Oxford University where he was a Rhodes scholar.

The N. Y. State Banking Department announced on June 13 that Manufacturers Trust Co. and Manufacturers Safe Deposit Co., 55 Broad Street, New York, were authorized to change the location of branch offices from 822-824 East Tremont Avenue to 749 East Tremont Avenue, Bronx, on or after Jan. 1, 1945.

The N. Y. State Banking Department announced on June 16 that the Modern Industrial Bank, 1697 Pitkin Avenue, Brooklyn, filed an application for permission to open a branch at 524-528 Broadway, New York City.

W. Ward Tompkins, President of the Greensburgh Savings Bank in Dobbs Ferry, N. Y., and a veteran of the Civil War, died on June 18 at the home of his son-in-law, Frank F. Crossman, 618 Warburton Avenue, Hastings-on-Hudson, N. Y. He was 97 years old. Born in Yonkers, N. Y., on Sept. 26, 1846.

Mr. Tompkins became President of the Greenburgh Savings Bank in 1912. The bank is celebrating its 75th anniversary this year, having been founded in 1869. He was a former Vice-President and director of the Dobbs Ferry Bank, a former director of the First National Bank of Hastings, and a former Treasurer of the Hastings Savings and Loan Association.

Rudolph Stutzmann, President of the Ridgewood Savings Bank, announced that John F. McCloskey, who heads the Seal-Lock Burial Vault, was elected a trustee of the bank at the June meeting of the Board of Trustees of the bank. After attending St. John's College he became Assistant Superintendent of St. John's Cemetery, of which his father, John McCloskey was Superintendent. Subsequently he became Superintendent and held that post until 1942 when he assumed his present position of Lay-Supervisor for Cemeteries of the Brooklyn Diocese. Mr. McCloskey becomes associated with the bank at a time when it is celebrating two important events in its history, one of which is its 23rd anniversary and the other its growth to $50,000,000 in deposits belonging to more than 72,000 depositors.

On June 18 the Ridgewood Savings Bank completed 23 years of serving its depositors. From its modest beginning in a renovated store property, service to the community has been the keynote of the bank's endeavor. That it has been successful in this is revealed by the fact that the institution now serves over 72,000 depositors with savings of over $50,000,000, and in addition has financed the purchase of more than 4,500 homes through conservative mortgage loans.

Herman Ringe, First Vice-President, in commenting on the bank's growth, said: "There is eloquent testimony of the thriftiness of our people in the fact that our institution now ranks 58th in the amount of deposits among all the savings banks in the United States. Ridgewood Savings Bank has the distinction of being one of the youngest of them. During this period of war our people have, in addition to saving regularly with us, purchased over $9,000,000 in war saving bonds and stamps. In our own portfolio we have over $32,500,000 in securities issued by the United States or guaranteed by one of its instrumentalities. These investments represent about 65% of the funds deposited with us."

The bank's President, Rudolph Stutzmann, said: "When our institution first opened its doors to the public the trustees set its purpose high—unselfish service to the community. In our 23 years this policy has been consistently adhered to. Today our people not only help produce the implements of war and volunteer their services in various patriotic civilian activities, but also put their savings in uniform to help finance the cost of the war. In the case of our depositors, I expect that the bank will invest an additional $5,500,000 or more to supplement our depositors' individual investment in war bonds."

Adam Schneider Jr., President of the Roosevelt Savings Bank, has just celebrated his 40th anniversary with that institution. Trustees and officers marked the occasion with a testimonial dinner at the Forest Hills Inn, Forest Hills, on June 15. Mr. Schneider entered the employ of the bank as office boy on June 15, 1904, at which time the institution was known as the Eastern District Savings Bank, and has held all positions from office boy to President. He has witnessed the growth of the institution from deposits of about $1,500,000 in 1904 to the present resources of over $67,000,000 and more than 64,000 depositors. Mr. Schneider is a member of many fraternal, civic and banking organizations and is Chairman of Group V of the Savings Bank Association, which comprises all the savings institutions of Kings, Queens, Nassau, Suffolk and Richmond Counties. Trustees and officers present were Charles A. Van Inderstine, James A. Stewart, Henry L. Genninger, Joseph E. Schwab, Lewis C. Beilman, August J. Schneider, Harriet M. Murray, William J. Kubat, Russell A. Atkinson, Homer N. Bartlett, John Bossert, Dr. George Hills Iler, Charles Jacob, Charles Oldenbuttel, Carl L. Otto, Bryer H. Pendry, Richard V. Schnibbe and Dr. Philip Embry Smith.

At a meeting of the Board of Trustees of Title Guarantee and Trust Co., held on June 20, 1944, Douglas McKee, Vice-President of the company, and in charge of its Jamaica office, was elected a trustee of the company.

The Board of Governors of the Federal Reserve System reports that The State Bank of Williamson, Williamson, N. Y., a State member bank, was merged into Central Trust Co., Rochester, N. Y., a State member bank, effective June 13. In connection with the merger a branch was established at Williamson.

Herbert T. Booth, 75, former President of the Bank of Batavia and manager of its successor, the Bank of Batavia office of the Marine Trust Co., died on June 15. He retired in 1941 after being connected with the bank 53 years.

An unusual step taken by the Philadelphia National Bank, oldest and largest bank in Pennsylvania, was revealed yesterday with the announcement by Evan Randolph, President, that the board of directors had voted to write down the value of bank buildings from $2,000,000 to $1. Directors also authorized an increase of $7,000,000 in the surplus of the bank, raising this account 33% from $21,000,000 to $28,000,000.

At a special meeting held on June 13 the stockholders of the Hudson Trust Co. of Union City, N. J., confirmed the declaration of a stock dividend of 27,500 shares of common capital stock, with a par value of $6 per share, amounting to $165,000 to stockholders of record on May 31, 1944. The common stockholders will receive one share for each three owned. After giving effect to the increase in common stock, the capital funds will aggregate $3,611,000, consisting of 440,000 shares of preferred stock, $1,320,000; 110,000 shares of common stock, $660,000; surplus, $1,000,000; undivided profits, $221,000; reserve for retirement of preferred stock, $360,000, and other reserves, $50,000.

New officers and directors of the consolidated National Capital Bank and East Washington Savings Bank of Washington, D. C., were announced on June 17 following final approval of the merger by Comptroller of the Currency Preston Delano. George A. Didden Jr., former President of National Capital, was elected President of the merged institutions.

H. H. McKee, dean of the local banking fraternity, was elected Chairman of the board of directors. All other officers of the two banks were elected to the executive staff of the emerging institution, which will be known as the National Capital Bank. They are: S. Dolan Donohoe, Robert V. Mellefont and T. Earle Bourne, Vice-Presidents; S. Wilson Earnshaw, Cashier; James H. Heelen and John Birckhead, Assistant Cashiers.

A joint meeting of stockholders of both banks elected the following directors: J. C. W. Beall, T. Earle Bourne, James A. Donohoe Jr., Gratz E. Dunkum Jr., H. Lewis Flemer, John Ford, Ernest E. Herrell, William N. Payne Jr., William Thompson and Lambert C. Turner, all formerly with the East Washington Savings Bank; Wilfred H. Blanz, Thomas A. Cantwell, Mr. Didden, Mr. Donohoe, Edgar T. Gaddis, W. P. C. Hazen, Francis J. Kane, Adelbert W. Lee, Mr. McKee, James L. Parsons Jr., William A. Simpson, J. Elbert Tune, Arthur B. Walker and Howard B. Yost, all formerly with the old National Capital Bank.

Morris E. Marlow was made an advisory member of the board.

Business will continue to be transacted at both offices. Eventually, it is contemplated that quarters of the East Washington Bank will be discontinued and business concentrated in enlarged offices of National Capital at 316-318 Pennsylvania Ave., S. E.

The approximately 4,500 depositors of East Washington will retain their passbooks, which will be stamped with the new name as soon as they are presented in the normal course of business.

Harrison B. Riley, formerly President and Chairman of the board of Chicago Title & Trust Co., died on June 13 at his home at 730 Prospect Boulevard, Pasadena, Calif., at the age of 81. Funeral services will be held in that city and will be announced later. Mr. Riley was born at Ovid, N. Y., on July 1, 1862. In 1882 he came to Chicago and entered the employ of Handy & Co., an early abstract firm. From that time until January of this year he was closely associated with Chicago abstract and title companies and was the originator of the title guaranty system in the Midwest. In 1901 he became Vice-President of the Title Guaranty & Trust Co., and on consolidation of that company with Chicago Title & Trust Co. he became Secretary of the merged companies. From 1907 to 1929 he was President; from 1929 to 1931 Chairman of the board of directors; from 1931 to 1935 Chairman of the executive committee, and from 1935 to 1944 special counsel. He was a director of Chicago Title & Trust Co. continuously from 1906 to his retirement early this year.

Thomas J. Herbert was elected Assistant Trust Officer and Harry H. Salk Assistant Cashier of the American National Bank & Trust Co. of Chicago at the meeting of the board of directors on June 14. Mr. Herbert went to Chicago from New York, where he has served for the past 15 years with the City Bank Farmers Trust Co., whose employ he entered in 1929 following graduation from The College of The City of New York. Mr. Herbert is a graduate of The Graduate School of Banking, and since 1942 has been a member of the faculty of that school for bank officers conducted at Rutgers University by the American Bankers Association. He has also served as lecturer in economics at The City College of New York Evening School of Business. He will assume his new duties with the American National Bank on July 10 following completion of the 1944 resident session of The Graduate School.

Mr. Salk, a native of Chicago, is a graduate of DePaul University and Chicago Law School. He has been associated with the American National Bank since 1937 and will continue as manager of the real estate loan division. He is a director of the Chicago Mortgage Bankers Association and Chairman of its legislative committee.

The recent transfer of $1,000,000 from undivided profits to the surplus account of Manufacturers National Bank of Detroit was the seventh increase in the bank's surplus in less than 10 years. Manufacturers National began operations Aug. 10, 1933, with a surplus of $1,500,000. Additions of $500,000 to surplus were made in each of the three years of 1934, 1935 and 1936. An addition of $1,500,000 was made in 1940. Further additions of $500,000 came in 1942 and 1943. Then, on June 9, 1944, directors authorized an increase of $1,000,000, which brings the present surplus to $6,500,000. All surplus additions have been transfers from undivided profits. Total capital funds of the bank increased from $5,250,000 on the opening day to $11,131,014.14 on June 9.

The Ecorse Savings Bank of Ecorse, Mich., and The State Savings Bank of Lincoln Park, Mich., both State member banks, have consolidated under the charter of the former institution and with a change in title to Wayne County Bank. In connection with the consolidated a branch was established at Lincoln Park. This is learned from an announcement by the Board of Governors of the Federal Reserve System. The change was effective June 5.

Edward H. Williams, 76, who in 1940 retired as a Vice-President of the Marine National Exchange Bank, which he served for 51 years, died Friday at his home, 2508 E. Newberry Blvd., Milwaukee. He was a director of the Marine bank and a former director and member of the advisory committee of the Holton Street State Bank.

The Board of Governors of the Federal Reserve System reports that the Farmers & Merchants Bank of Orfordville, Orfordville, Wis., as of June 14.

The Board of Governors of the Federal Reserve System reports that the Kentucky Title Trust Co., Louisville, Ky., a State member, has changed its title to Kentucky Trust Co., effective as of June 16.

The Commercial Bank & Trust Co. of Knoxville, Tenn., a State member bank, has converted into a National bank under the title of Commercial National Bank, effective June 5, according to the Board of Governors of the Federal Reserve System.

Directors of the Fulton National Bank of Atlanta passed a resolution on June 8 to sell 5,000 shares of additional common stock which will increase the capital of the bank from $1,000,000 to $1,500,000. The resolution, according to the Atlanta "Constitution," provided that present shareholders be entitled to subscribe to one share of new stock for each two shares now owned. F. W. Blalock, President of the bank, said that the new stock would be offered to the shareholders at $150 per share. Of this amount $100 will go into the capital account and $50 to the surplus account.

This action, it is added, will increase the surplus from $1,050,000 to $1,500,000. After this increase has been made, preferred stock now totaling $450,000 will be retired. The resolution will be presented to stockholders for ratification at a special meeting to be held at 12 noon, July 14, in the main office of the Fulton National Bank.

U. S. To Lend Silver To India Under Lend-Lease

Announcement of a lend-lease agreement whereby the United States will lend to the Government of India 100,000,000 ounces of silver was made at Washington on June 14. It was also made known at the same time that total lend-lease shipments of silver to all countries to date amount to about 4,000 short tons, these shipments having been intended for industrial and coinage uses.

According to a Washington dispatch to the New York "Times" June 14 the announcement was contained in a joint statement by Secretary of the Treasury Henry Morgenthau, Jr., and Foreign Economic Administrator Leo T. Crowley, as follows:

The United States Government has agreed to supply the Government of India under a special lend-lease agreement with 100,000,000 ounces of silver to be used to maintain an adequate supply of coinage for the large numbers of United Nations forces there and for India's expanded war production, and to help to keep prices stable in this important United Nations supply base and war theatre.

The Government of India has agreed to return the silver to the United States after the end of the war on an ounce-for-ounce basis.

The silver bullion will be supplied to India from the large stocks of United States Treasury free silver. The shipments of silver will not impair in any way the supply of silver required for domestic purposes in the United States.

Silver has been supplied under lend-lease from time to time to a number of other countries for industrial and coinage purposes essential to the war. The total amount of silver shipped under lend-lease to date to all countries is approximately 4,000 short tons.